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# PROFIT SHARING

## BETWEEN EMPLOYER AND EMPLOYEE

### *A STUDY IN THE EVOLUTION OF THE WAGES SYSTEM*

BY

NICHOLAS PAINE GILMAN

The present doctrine is that the workman's interests are linked to those of other workmen, and the employer's to those of other employers. Eventually it will be seen that industrial divisions should be perpendicular, not horizontal. The workman's interests should be bound up with those of his employer, and should be pitted in fair competition against those of other workmen and employers. — W. STANLEY JEVONS.



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To

CARROLL D. WRIGHT

UNITED STATES COMMISSIONER OF LABOR

IN TOKEN OF

RESPECT AND FRIENDSHIP



## PREFACE.

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THE literature of the "Labor Question" has multiplied of late years to a remarkable degree. Works covering the entire field of the demands and the needs of working people are, perhaps, already sufficiently numerous, from whatever side they approach the problem. The discussion which is herewith presented to the public does not seek a place among such comprehensive attempts at the consideration and the settlement of the complicated difficulties indicated by the phrase "labor troubles." It is a study, for which there seem to be both room and call, of the specific remedy for some of these troubles known in France as "participation," in England as "industrial partnership," and in Germany and America as "profit sharing."

At present there is no recent work which gives a comprehensive study of this interesting effort to reconcile the antagonism of employer and employee. Dr. Victor Böhmert's German treatise on the subject, in two volumes, was issued eleven years ago. In its original form, as well as in the French translation finished in 1888, this valuable work is rather a collection of material than a scientific discussion of the subject. The supplement to the French translation has supplied some deficiencies in the German original, without improving upon its general plan. Dr. Hein-

rich Frommer's *Die Gewinnbetheiligung* (1886) is an able critical essay upon the material furnished by Dr. Böhmert and the French governmental report of 1883, but it makes no pretence to completeness. The only book on the subject in the English language (now out of print) is Mr. Sedley Taylor's "Profit-Sharing" (1884), a collection of excellent essays and papers of various dates, not fused into a regular treatise. Beyond these three works and the volume by J. Le Rousseau named in the bibliography, there is, to my knowledge, no book on Profit Sharing extant. But a considerable body of material exists in a more fugitive form, such as the "Bulletins" of the French Society for the Study of Participation, and the reports of business houses conducted on this plan.

It has been my aim to gather, from all quarters, material of every kind for a work which should present a history of Profit Sharing at home and abroad, an unbiased treatment of the results actually achieved, and a full statement of the claims of the system upon the consideration of the industrial world. To this end I have condensed into reasonable limits the information derived from the before-mentioned works and sources, and from a large correspondence. The simple facts of the matter may here be found apart from arguments in favor of the scheme, or in opposition to it. I have prefixed to the history and the exposition of the present standing of Profit Sharing a brief introduction, a chapter on Product Sharing, and another on the Wages System in the aspects that are pertinent to my theme. After reciting the history of Profit Sharing, including the most recent experiments in the United States, I have summarized the results which seem to be indicated by the whole body of ex-



perience. I then pass to the argument for Profit Sharing as it has shaped itself in my own mind, after thorough study: here, as in other parts of this book, I trust that the only rhetoric to be discovered by the reader is "the rhetoric of under-statement" of which Dr. Holmes somewhere speaks. Without making exorbitant claims for the method as a panacea, I have pointed out the high title which it has upon the attention of employers and employees in many industries, a title derived from its actual successes in fifty years' trial in modern business; and I have emphasized the desirability of an enlightened public opinion which shall aid in the further extension of the system. As one great object of my work is this enlightenment of the general public, I have refrained from abstract or technical discussions, and have given the work a concrete character throughout. Another object being the assistance of employers who desire to test Profit Sharing, I have added a few practical suggestions; but as a rule I have preferred to let the facts speak for themselves and teach their own lesson. The bibliography will indicate the sources from which this work has drawn its statements of fact. As many of these sources are practically inaccessible to most readers, it has not seemed well to multiply references to them in the body of the work.

It is a pleasant duty to return my sincere thanks to the many persons who have kindly aided my labors, and first of all to Dr. Böhmert of Dresden, Dr. Frommer of Königsberg, and Sedley Taylor, M. A., of Cambridge, England, for full permission to make use of their works. I have endeavored to despoil these of all their important facts. To M. Charles Robert of Paris, President of the French Participation Society

I am indebted for his patient assistance. Professor R. T. Ely of Johns Hopkins University, Professor E. R. A. Seligman of Columbia College, Professor F. H. Giddings of Bryn Mawr College, and Mr. W. E. Barns, editor of the "Age of Steel," of St. Louis, have furnished me valuable material. Numerous profit-sharing firms, at home and abroad, have cordially answered my inquiries. Finally, to the eminent student of economic and social questions whose achievements have given such high repute to the annual reports of the Massachusetts and the United States Bureaus of Labor, I am grateful for encouragement to undertake this work, and for much subsequent aid.

I commend to the candid and thoughtful consideration of employers and employees alike the facts of Profit Sharing here set forth, and its just claims to a full and patient trial; it is surely one of the most promising methods of securing the peaceful and fruitful union of the productive forces of modern industry.

N. P. G.

WEST NEWTON, MASS.,  
*February 6, 1889.*

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## INTRODUCTION.

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### THE INDUSTRIAL PROBLEM.

THE actual condition of the modern industrial world is one of profound discontent on the part of the great body of men and women who support themselves by hand labor. Discontent with the present lot is no new thing under the sun, indeed, and is in itself no proof of the wisdom of him who feels it. It is not confined to-day to the so-called "working classes;" all conditions of modern life exhibit a pessimism astonishing in an age which plumes itself upon its enlightened civilization. But the discontent of the great mass of hand-workers is the most pronounced of existing discontents, and it forces itself upon public attention with increasing vigor. Mr. Gladstone has rightly called the nineteenth century "the age of the workingman." In politics this fact has signified a constant advance of democracy. Passing into another sphere, the democratic feeling has at length asserted itself in a practical "revolt of the majority" against the aristocracy of the employing class, whether this be a natural or an artificial distinction. Working people bitterly complain that the enormous gains in business, made since the general introduction of machinery into industry, have not been equitably divided among all classes and conditions of men.

The wiser workmen see the folly of asserting that, under modern conditions of life, the industrious poor are getting fatally poorer, for the assertion is contradicted by every trustworthy comparison of the past and the present situation of the laboring classes. But the increase of the wealth of civilized society in recent years is stupendous. That the rich are growing richer is an undeniable fact. We have only to remember, here in America for instance, the estimate set by the public upon a fortune of a million dollars twenty-five years ago, and contrast it with the inferior standing to-day of a man who is "a mere millionaire," while fortunes of five and ten millions are numerous, in order to see that one half of the phrase in common use is strictly true. The workmen of to-day are profoundly disturbed because in reality their own condition has not been improved *in the same ratio of progress* as that enjoyed by the well-to-do classes.

To accept this fact of an unequal advance is not to accuse any body of men of guilt. The wages of laboring people have undoubtedly risen steadily within the last fifty years.<sup>1</sup> But they have not kept pace with the demands, just or unjust, of those who have labor to sell. The constant cry is for higher wages and fewer hours of work. Masters, on their side, point to the steadily diminishing percentage of profits realized in business, and declare that they cannot advance wages so as to satisfy the claims of employees without running into bankruptcy. They describe with spirit the idleness, carelessness, wastefulness, and general inefficiency of the great body of laborers.

The relation of employer and employee in the in-

<sup>1</sup> See, for proof of this assertion, F. A. Walker, *The Wages Question*, 1876, and E. Chevallier's *Les Salaires au XIX<sup>e</sup> Siècle*, 1887.

dustrial world at large is to-day very largely one of "armed neutrality" at best. Friendliness arising from kindly association in a common work is the too rare exception. Up to a few years ago, the United States of America, indeed, were supposed to be the one "earthly paradise" of labor, which strikes, socialism, and anarchism would never infest. The rapidity with which labor outbreaks on the largest scale have lately followed each other in this favored land, proves that the "labor problem" is not a European trouble only. The statistics are startling that show the waste and ruin caused by industrial war in the single year 1887, to go no further back. "Bradstreet figures out that 10,000,000 days' time has been lost by 350,000 men; which points to nearly one month's wages sacrificed *per capita* as the average by strikers during 1887, or eight and a half per cent. of the annual wages lost by probably one tenth of the total number of industrial workers, that being the proportion that went on strike. . . . Last year the loss in wages by those who went on strike was no less than \$13,500,000, with which must be considered the heavy losses to employers, whatever they were."<sup>1</sup>

The condition of things represented by such statistics gives pause to all thoughtful men. The gravity of the situation demands earnest consideration of every possible means of relief for the body of modern industry thus sadly diseased. No reader of current literature needs to be informed that a large number of remedies have been suggested and advocated by more or less enlightened and judicious writers. Any at-

<sup>1</sup> *The Age of Steel*, February, 1888: the figures of the U. S. Commissioner of Labor for the six years 1881-86 are given in chapter second of this work.

tempt at a panacea, however, is plainly irrational. The "social problem," in all its comprehensiveness and complexity, means that the present forms of civilization are now too contracted for growing human nature; <sup>1</sup> relief must be sought in very many ways. The "labor question" is a somewhat more definite and tangible matter to deal with. But, as generally handled, it covers a wide range of projects for the elevation of working people, and it needs to be attacked from all sides if it is to yield to the wit and the philanthropy of mankind. The "wages question," however, is a central point in the labor controversy, and in treating this by itself we are discussing a vital and essential matter. If the way can be found by which the laborer and his employer shall easily agree on the "fair share" of the products of industry that shall go to each, then other phases of the "labor question" will lose much of their difficulty. To most of them the workingman who receives a due portion of the results of his labor, an adequate reward for his toil, will do justice himself, and work out his own salvation.

If the two parties to the labor contract disagree, the appeal must lie, in the end, to public opinion and the common sense of justice. It is plain, of course, that the adjectives "fair" and "due" have been subjects of age-long controversy between buyer and seller in every sphere. What *are* the "fair" and "due" shares of the employer and the employee in the product realized by the joint aid of capital, business skill, and labor? To this question the answer of an im-

<sup>1</sup> See this point well developed in three thoughtful essays (reprinted from *The Forum*) on "The Revolt of the Majority," "Social Equilibrium," and "The Future of the Minority," in the volume entitled *Social Equilibrium*, by George Batchelor, Boston, 1887.



partial judge must vary in differing industries. No general dictum is valuable to the effect that laboring men and women are or are not receiving as high a recompense in wages as their performance and the actual profits of business will allow, either the world over or simply here in our own America. The employer comes to one conclusion, and the workman to the opposite, when the survey takes so wide a range. The business man reminds us of the enormous number of failures in trade and commerce, placing the proportion as high as ninety or ninety-five per cent. of all who set up for themselves. (As a French writer puts it, ten out of a hundred succeed, fifty "vegetate," and forty go into bankruptcy.) He enlarges upon the rarity of the executive ability which is the condition of successful employment of capital and labor alike. He sets forth the responsibilities, cares, and anxieties weighing upon the heads of business enterprises, and contrasts with this burden the freedom from care of the workman, who is sure of his regular wages, and who, when his employer fails, has a first lien upon the assets to the amount of his unpaid earnings. He brings forward statistics to prove that wages have risen largely throughout the civilized world in the last fifty years, and that they are still rising and will probably continue to rise, while interest diminishes and profits decrease. The workmen, as a rule, are getting, he asserts, all that the present rate of interest on capital, the scarcity of executive talent, and the state of the markets will allow. The logical strength of these assertions is, in many cases at least, beyond dispute.

On the other hand, the workman refers us to the increasing fortunes of the employers who do succeed in business, whatever the percentage may be of failures.

He declares that when capital is allowed the current rate of interest, and labor the current wages, and a generous reward is paid for skill in management and superintendence, there remains, in these instances of success, a large sum, to a share in which the laborer has a just claim as one of the factors in its production. He denounces the reluctance with which in such cases employers increase wages, and the ready zeal with which in bad times they reduce wages.

Such controversies are perpetual; apparently they will not cease under a system of pure wages and salaries, not supplemented by a share in the profits of business. The "antagonism," not "of labor and capital,"<sup>1</sup> but of employer and employee, is but one instance of the natural and universal contention between buyer and seller; the specific feature here being that human service, not a material commodity, is the subject of the bargain. In the case of a strike, public opinion may side with one party or the other, but in a republic it is apt to sympathize with the laborers, as the more numerous party and presumably in greater distress. It is needless to say that neither public opinion nor the opinion of the employing class, nor the opinion of the working class, is a standard satisfactory to the critical mind. The first is often unenlightened or prejudiced; the other two are the opinions of interested parties. The system of pure wages supplies in itself no sufficient corrective of errors and offences in either of these two parties: if it did, we should not perceive the disorders that meet the eye in every direction to-day.

"The wages system must, then, be *wrong*, that

<sup>1</sup> I have endeavored to keep this volume free from this misleading phrase.

breeds these perpetual dissensions between employer and employee: "so say the labor organizations. They advise the entire abandonment of the system, and the substitution of productive coöperation in its place. Thus the official programme of the Knights of Labor declares that "We will endeavor to associate our own labors to establish coöperative institutions such as will tend to supersede the wage system by the introduction of an industrial system." Stern experience shows, however, despite a few successes here and there, that coöperation is too revolutionary a substitute for the present method. It leaves out of account the connecting link between the man and the money, both seeking executive power to put them at work. Coöperators do not, in fact, attempt to dispense with capital: they try to get along without the able manager, who must be well paid.<sup>1</sup> The fatal error in the policy of coöperators, thus far, has been their irrational jealousy of the superior man, who, under the conditions of modern business, must have large powers and high salary if the enterprise is to succeed. Executive talent is one of the rarest of human endowments. Coöperators, who disregard the natural law of aristocracy in business, and attempt to conduct large establishments on the town-meeting plan, invariably come to grief.<sup>2</sup>

We are more in accord with the leading conception of modern thought if we look to see the wages system gradually developing into a more satisfactory method of recompensing labor. An *evolution* rather than a *revolution* is the probable result of the im-

<sup>1</sup> See this point fully developed in President Walker's *Wages Question*, chapter xv.

<sup>2</sup> In chapter second, on the Wages System, I have entered more fully into an examination of the weakness of coöperation.

mense friction in the labor market of to-day. The system to the history and exposition of which this work is devoted has at least this merit, on a first glance, of bearing an evolutionary character. Profit sharing — the method of rewarding labor by assigning it a share in the realized profits of business in addition to wages — retains the manager with full power of conducting the enterprise; it retains the wages system so far as it goes, and proposes to remedy its deficiencies by a return to the principle of the more primitive method of product sharing. As a share in the actual products of a manufacture would now be in most cases highly undesirable, whether labor were to be paid in product wholly or partly, a share in the profits of business is the natural and reasonable substitute therefor. As practically exemplified in the numerous cases to be detailed in this volume, profit sharing is a modification of the wages system which removes the laborer from his present attitude of a simple earner of fixed wages, who has no further interest in the business beyond securing his regular pay, and makes of him a partner, to a specified extent, in the profits realized. The initiative in any such modification of the present system rests entirely with the employer of labor. Coöperation, historically, has been a movement from the side of the employee to supersede wages. Profit sharing, as thus far practised, has been a movement by employers to modify the wages system in the supposed interests of the three factors in production, all of which are retained in full efficiency.

The present work, the reader will observe, draws its inspiration from no hostile feeling toward the wages system. That system is neither “a social curse . . .

utterly unfit for a higher civilization," as Mr. Laurence Gronlund assures us in his "Coöperative Commonwealth," nor a species of slavery, as others rhetorically declare. A sane eye will see in it a natural development out of preceding labor systems, — an instrument necessarily imperfect, for the improvement of which we must consult enlarging experience.

Experience, not theory, is the source from which the argument in the latter part of this book has been derived. In accordance with the inductive method proper in such reasonings, the facts will first be spread before the reader with no other comment than such as is necessary to make them clear. The case for profit sharing is then presented, as the author views it, in the light of these facts. So far as the sources of information allow, I have set forth impartially the facts which bear on the advantages and the shortcomings of profit sharing. In condensing the accounts of special experiences into the form which my limits render necessary, I have been particularly careful to give unfavorable as well as favorable judgments from firms that have tested the participation principle in actual business. No case of failure has been purposely omitted, and all such cases as are known have been fully reported, special attention having been given to the reasons alleged in any case for the abandonment of the system.

I shall be content to bear the reproach of empiricism from such students of political economy as consider induction from all the available facts an unsafe process. The inductive method is, indeed, unsafe — for those venerable theories of "the economic man" and "the wages fund" which English economists have developed from the depths of their own consciousness ;



but for the guidance of men in actual business, it is far preferable to the most confident theoretical constructions. Political economy is one of the last refuges, in our modern critical world, for the dogmatic spirit which decries experience. But such Bourbonism is not the temper in which the enlightened man of business confronts the actual world. If any one is bound, he is bound to learn from the experience of others before it has become general. His sagacity approves itself when he joins the forward minority who believe and prove that a great many things are possible which are not yet and may never be universal. A due regard for doctrine will teach the employer of labor that the theory of wages, so far as it concerns him, is very simple. The question, whether wages actually come out of capital or out of product, it is not necessary for him to solve. It may yet be remarked here that the advocates of profit sharing contend that the system has the desirable effect of increasing the product of labor in a sufficient degree to make the plan profitable for the employer.

With these preliminary observations, let us now consider the primitive method of rewarding labor, to which no other name is so applicable as Product Sharing.

## CHAPTER I.

### PRODUCT SHARING.

#### I. IN AGRICULTURE.

IN agriculture, the oldest of industries, which of all human occupations, even in this manufacturing age, employs by far the largest number of workers, the "labor question" causes less difficulty than in any other quarter. In the United States the great majority of "farmers" own their estates, which they work themselves. When they are unable to perform all the labor with the aid of other workers in the family, the "hired man" is called in. He works side by side with the proprietor, and cannot but be stimulated by the owner's industry and carefulness to do diligently and act economically. The rate of wages varies from season to season, but it does not undergo violent fluctuations. The small number of hired workers on the common farm, and the consequent dispersion of the whole body of laborers over a wide territory, tend powerfully to discourage anything like strikes.

Custom has extreme weight in this primitive and fundamental industry, and the close association of master and man in the field and in the home goes far to destroy the class feeling so strong in large manufacturing industries. While the wages system of rewarding labor is now the rule, and is extending into every quarter of agriculture with the growing commercialism of mankind, the nature of the vocation

and its relation to primary physical needs have caused the retention of some features of primitive times. Payment of labor in kind was the one natural and necessary method in agriculture before the introduction of money; and after the use of money became common, the quantity of coin handled by the farmer remained small in comparison with transactions of the same value in other occupations. Barter and payment for service in products of the soil have continued to be favorite methods with tillers of the ground. The products of the earth — roots, grains, vegetables, and fruits; the milk, butter, cheese, eggs, and meat from the farmer's cattle, sheep, swine, and poultry, with hides and wool — are needed by all. The simplest of courses, which at once suggests itself to the laborer and his employer, is that his work shall be paid for in these necessities up to the limit of the wants of his family. This limit fixes, roughly, the amount which the slaveowner pays his slaves in kind. The increased compensation which the free laborer demands and receives may still be paid him in kind. It is a question of convenience, to be settled between him and his employer, whether or not this surplus shall be converted by the one or by the other into cash, or into other commodities needed by the workman. The tendency of free contract is to establish the payment not only of this surplus, but of the principal amount also, in money, thus leaving the laborer free to buy the necessities of life from others than his employer, while the employer is under no obligation to reserve any portion of the product for his men.

We shall see, in the chapter which treats Profit Sharing in Agriculture, how, on the basis of the wages system applied in all its strictness to the opera-

tions of agriculture, there have been erected industrial organizations which practise the division of a share of the year's profits among the laborers, in addition to their fixed wages. But we are here concerned with the more elementar organization of agricultural labor known as the "*metayer* system," or "farming on shares," which, in all its forms, is best entitled "product sharing." Under this system, the owner of the land tilled enters into an agreement with the laborer whereby the first furnishes the land, with necessary buildings, and often a part, or the whole, of the stock, seed, and implements required: in return, the farmer pays a certain part, usually the half, of the product realized by his labor. The owner and the farmer form an industrial partnership, the principle of which is the division, not of profits, but of products, whether or not these have realized a profit on the capital and the labor invested in the enterprise. Such partnership has been exceedingly common, in all parts of the world: its general prevalence indicates essential virtues in the system which in this field the wages-system has not displayed to the same degree.

In a progressive community, farming on shares seems to be the usual occupation of labor that has lately become free and the common antecedent of proprietorship in land by the laborer. In the Southern States of America, after the civil war had resulted in the emancipation of four million negro slaves, there was soon manifest an application of product sharing on a large scale. Capital was lacking for the planters to enter upon the raising of corn and cotton on the basis of the usual wages system; and it was still more out of the question for the newly emancipated "freedmen" to hire land for cultivation, and pay rent there-

for in money. The consequence was, as all had to live, that many of the planters assigned to their former slaves small farms which these cultivated on an agreement to pay the owners, as a rule, one half of the crops raised. When a planter, however, let cotton-land, in South Carolina, on condition of receiving from 60 to 150 lbs. of cotton per acre, or when, in the Georgia rice districts, he let land for seven lbs. of rice per acre, we have before us a simple case of rent paid in kind. There is here no element of partnership, no variability in the proprietor's share, and no inducement to extra exertion on the laborer's part not held out by rent paid in cash. As the South grew richer, fixed rent, in money or in kind, became more common, until a great number of negroes were able to purchase land for themselves. The lazier "freedmen" preferred product sharing, so long as their own portion sufficed to maintain them, but the more industrious pressed forward to independent proprietorship.

In the South Atlantic States the favorite system of division gave the owner of the land one third of the product, the laborer one third, and the owner of the stock and implements one third. This general system was, however, subject to many local variations. The nature of the land was an influential circumstance in determining the ratio. In North Carolina the owner claimed one half of the harvest on the low lands, but only a third on the hill lands, naturally more difficult to work. The proportion varied also with the nature of the crop. The owner received, usually, a third of the grain and but one fifth of the cotton raised. In the Gulf States product sharing was not so common as on the Atlantic coast. The tenant who supplied only his labor received from two fifths to one half of the



product; if he also contributed the stock and implements, he claimed two thirds of the grain and maize, and three fourths of the cotton. On the Louisiana sugar plantations product sharing did not work satisfactorily, and was replaced, as soon as possible, by proper rent. In rice culture the tenant undertook the flooding of the fields and received one third of the harvest; in case he provided the seed, his share was one half. The Texas tenant, who supplied animals and tools, took two thirds of the corn and three fourths of the cotton; otherwise, his share was one half. In the tobacco districts of Kentucky the owner received one half of this crop, and in some places one half of the wheat.

In New England the share-farmer, as a rule, pays half of the taxes and the cost of repairs, provides half the seed, and divides the harvest equally with the owner. From New Hampshire grass lands the owner often has two thirds of the yield in consideration of the smaller amount of labor demanded. In some parts of Connecticut the tenant is paid for his share of the crops in money, but usually he must market this himself. West of the Alleghanies, the owner is entitled, by the usual agreement, to a third or two fifths of the product; from grass lands he claims one half, as in New England. If he furnishes stock and tools, he receives from one half to two thirds. In case the wheat crop is divided before threshing, he has one half; if it is divided after threshing, his share is one third, and this is the more usual custom. The "biggest wheat farm in America," the Dalrymple farm of many thousand acres, at Casselton in Dakota, is an example of the *metayer* system practised on the largest scale: Mr. Dalrymple, the tenant, divides the

harvest equally with the Northern Pacific R. R. Company, the owner. The extent to which farming on shares prevails in the United States is shown in the Census for 1880, which gives the number of tenant farms on money rent as 322,357, and on share rent as 702,244.

The share system came to the New World with the immigrants from Europe; it is one of the oldest of Old World ideas. According to Professor Thorold Rogers, the great improvement in the lot of the English laboring classes which followed and was caused by the plague of 1348, had for one of its features a quite general introduction of the *metayer* system. This continued to prevail for some sixty years, but was "superseded by the growth of a hardy and prosperous yeomanry, who either purchased the land in parcels or bargained to work it with their own capital, and at a money rent." The natural development into a system of individual proprietorship, which, in our own generation, has made a large number of negroes owners of the land they cultivate in the Southern States, found obstacles in its way in England that have made the landed system of that country an astonishing anomaly. "You have no other peasantry like that of England," said Richard Cobden. "You have no other country in which it is entirely divorced from the land." The *metayer* system has been almost, if not quite, unknown in England for centuries. English economists, before John Stuart Mill, held a very unfavorable opinion of it, largely due to their ignorance of its workings. The lack of such an institution supplying an easy means of transition into peasant proprietorship is to-day one of the great difficulties in the inevitable readjustment of land-tenure in Great Britain.

In France, according to M. Paul Leroy Beaulieu, over thirteen per cent. of the arable land is worked on the half-share plan, while formerly this was the dominant system.<sup>1</sup> M. de Laveleye states that in Belgium it has almost completely disappeared. But it is a common system in Southern Germany, Switzerland, Spain, and Italy the classic land of the *metayer*. Professor Jones in his "Essay on the Distribution of Wealth" traces the institution back to Greece. The Romans adopted it, and it afterward spread into France and Spain. The *ryot*, or *rayat*, system of Asia and Turkey in Europe, says President F. A. Walker, is held by some economists "to be the Oriental equivalent of the *metayer* system, the taxes varying from fifty upwards to perhaps seventy per cent, which the government [considered to be the owner of the soil] levies on the produce, being regarded as virtually the rent of the land."<sup>2</sup>

Without multiplying further the proofs of its wide diffusion in all countries, we will only refer to Columella's testimony in favor of the share system.<sup>3</sup> As in his time, the first century of the Christian era, so to-day the system approves itself especially in lines of agriculture where a large capital is represented, and very careful culture is demanded. Such lines are grape culture, as pursued in Switzerland, Italy and Asia Minor, and olive culture in Italy. "The *metayer* has less motive to exertion," said J. S. Mill, who was the first English economist to do justice to the share system, "than the peasant proprietor, since only half the fruits of his industry, instead of the whole, are his

<sup>1</sup> *De la Repartition des Richesses*, Paris, 1881, p. 141.

<sup>2</sup> *The Wages Question*, New York, 1876, p. 212.

<sup>3</sup> *De re rustica*, i. 7.

own. But he has a much stronger motive than a day laborer, who has no other interest in the result than not to be dismissed.”<sup>1</sup> Chateauevieux, as quoted by Mill, ascribes to Italian metayage the establishment of a “community of interests, and relations of kindness between the proprietors and the *metayers*; a kindness which I have often witnessed, and from which result great advantages in the moral condition of society.”

The system has the great disadvantage that it does not encourage the tenant to make improvements and pursue the intensive culture which modern conditions of life demand. Mr. Mill points out the much stronger motives to exertion which the *metayer* would have, when transformed into a peasant proprietor. Although the system might be modified by giving the tenant a larger share than one half, according to the soil and the kind of crop, it is probably true, as M. Leroy Beaulieu asserts, that this primitive regime, once universal, is destined to disappear almost entirely. “The working of the soil by the proprietor himself tends to become the predominant regime over the surface of the globe.”<sup>2</sup>

The standard of industry and prudence in agriculture is set by the individual proprietor. Complete ownership excites him to display all the zeal that can be aroused in him. It has no power in itself to make the incorrigibly lazy man active, or to make the hopelessly “shiftless” provident. But looking at ordinary human nature, if “it is as lazy as it dares to be,”<sup>3</sup> yet in agriculture indolence has at least as little encouragement as in any other pursuit, and “the magic

<sup>1</sup> *Principles of Political Economy*, New York, 1876, vol. i. p. 379.

<sup>2</sup> *De la Repartition des Richesses*, 1881, p. 142.

<sup>3</sup> R. W. Emerson, according to President Garfield.

of property " works greater wonders here than anywhere else. The American farmer exhibits "almost superhuman industry," if it is to be found among any class of men. But "those who have seen only one country of peasant properties always think the inhabitants of that country the most industrious in the world," says J. S. Mill.<sup>1</sup> In the proportion in which the cultivator of the soil approaches the ideal of complete proprietorship, does the level of his labor rise. The day laborer absolutely destitute of any hope of ownership of land, as he has been in England, represents the lowest stage of inefficiency. The *metayer* in an unprogressive country, who will probably remain a cultivator on shares his life long, marks a much higher level of achievement. The tenant who has before him the prospect of proprietorship near or distant may be but little below the actual owner in his zeal. Yet full ownership alone can excite the lavish expenditure of care and work which have brought modern agriculture to its present perfection.

I have spent thus much space upon product sharing in agriculture with no desire to recommend its adoption, under the *metayer* form, in any quarter where it does not now prevail. While the *metayer* stands higher than the day laborer, it would probably be needless in most cases, to-day, for the laborer to pass through this stage of development on his way to ownership of land. Under modern conditions, the acquirement of such proprietorship is rendered comparatively easy in numerous civilized countries; and the laborers can often pass over the intermediate stage of farming on shares. Where the conditions are equally unfavorable for the *metayer* and the peasant

<sup>1</sup> *Principles of Political Economy*, New York, 1876, i. 354.



proprietor, as in England, the modification of land-tenure, which is sure to come, will necessarily open at once the way to full proprietorship, rather than to a system which discourages the intensive culture of modern times. But I have dwelt upon product sharing in the most widespread of human occupations because it rests, for its success, upon a motive which is never obsolete, the feeling of partnership. The spur of this motive is only excelled in sharpness by complete proprietorship. While the field for its display in agriculture is diminishing with the spread of practical democracy, which makes the "farmer" an independent man, its logic is applicable in every sphere of industry. Few attempts have yet been made to apply the principle of partnership to agriculture in the more developed form of profit sharing. If, however, there is in any place just complaint of the inefficiency of hired labor on the farm, resort might be had to abundant experience testifying to the excellent results upon the laborer of the share system. Some combination of a share in the product with a fixed wage has every presumption in its favor, if the history of agriculture can be trusted, as a promising method of procuring the best hired labor upon the soil. In practice, it is probably the fact that a great deal of informal product sharing, in connection with regular wages, takes place in agriculture, either through direct gift, or premiums on production, or the sale of commodities to the "hands" at reduced rates.

## II. IN THE FISHERIES.

Next in importance to agriculture, among the older industries in which product sharing is, and always has been, a common mode of remuneration of labor, are

the many varieties of fisheries. These range in importance from the whaling voyages, lasting two or three years, to the petty coast fishery where the boat puts out in the morning and returns the same day. The business vitally depends for its success upon the fullest possible exertion of each sailor, and the heartiest co-operation of all. The custom of dividing the "catch" among the parties that have contributed to it is very widespread. This division takes place with little regard to any actual profit made by the owner or the crew. The owner of the whaler or the fishing-schooner may realize, in his share of the result of the voyage, something more than interest on his investment, or something less. The fisherman may receive, in his part of the proceeds, a large or a small daily wage, compared with the sum he might have earned on shore. These considerations, which would be of prime importance in a scheme of profit sharing, are not in place when the only principle is the simple one of dividing the product of the voyage, large or small, among all the interested parties. The fisheries thus offer illustration of proper product sharing. Its wide diffusion seems to prove the close adaptation of the system to the peculiar nature of this primitive occupation. The oldest notice of it on record shows it coexisting side by side with the wages system, or in combination with it. The edition of the celebrated code of maritime laws known as the *Jugements d'Oléron*, which was issued at Rouen, France, in 1671, with the sub-title, "The Usages and Customs of the Sea," by Cleirac, says: "Mariners let their services in different ways. In the first place at a certain amount in *deniers* for the whole voyage. . . . In the second place, others, as their entire recompense, demand and receive a part in

the freight of the vessel. . . . But the most common way is for them to receive a part of their pay in money, and the other part in an interest in the cargo.”<sup>1</sup>

In the whale-fishery, once so important, every man on board the whaler, from the captain to the cabin-boy, has an interest in “the lay,” the future cargo. This is entirely independent of ownership in the vessel or any contribution to the equipment. The common sailor usually receives from  $\frac{1}{125}$  to  $\frac{1}{90}$  of the proceeds of the voyage. The boat-steerers, on whose skill much depends, receive from  $\frac{1}{95}$  to  $\frac{1}{125}$  part, according to the size of the vessel. The officers are entitled to a larger share, the captain generally getting twenty times as much as a sailor. A gratuity for every whale caught is often added to this share in the product. If the ship returns “clean,” without having captured a single whale, the crew receive, of course, only the wages agreed upon, which represent their minimum reward. The loss, whatever it may be, falls upon the proprietors of the vessel. The American whale-fishery employed in 1830 about 8000 men, working under the product sharing system. At the extreme height of its prosperity, in 1854, the industry counted 602 ships, 28 brigs, and 38 schooners; the causes of its subsequent decline are well known.

Of greater importance at the present time are the cod, mackerel, and haddock fisheries, which have their principal centres at Gloucester, Massachusetts, and Provincetown and other towns on Cape Cod. The fishing schooners have crews numbering from fourteen to eighteen men. Often the captain is a part-owner of the vessel. The method of remuneration once in common use at Provincetown first deducted from the pro-

<sup>1</sup> Cited by M. Chas. Robert, *Le Partage des Fruits du Travail*.

ceeds of the catch what was called a "great general average." This included the cost of stores for the trip, ice, bait, fishing-gear, and minor expenses. The owners then received two fifths and the crew three fifths of the balance, no one receiving wages. When a seine is used, as in catching mackerel, the crew's profits are divided equally among the men. In fishing for cod, haddock, and other fish, where hook and line are used, each man keeps his own account of his catch, and receives pay accordingly. When two men fish together in a dory, the account of each dory is kept separately.

The basis of division at Gloucester, the great fish-market of America, gives the crew one half the net proceeds and the owners the other half, and this is now the usual plan. The owners furnish the vessel in complete order, and provide the fishing-gear and provisions. As soon as the schooner returns from the Banks, the catch is sold or is valued at the market-price at that date. The accounts are adjusted, and the division of profits made, at the end of the season. The "trip charges," which are the expenses for towing, ice, and barrels, for instance, and sometimes the cost of packing and inspecting mackerel, are subtracted from the gross product, and the remainder is equally divided between the proprietors and the crew. The owners pay the skipper a certain percentage which constitutes the superiority of his recompense over that of the common sailor. The crew pay the wages of the cook and for any extra labor they may have employed, for medicines, and a small percentage to the widows and orphans' fund. The method of fishing followed determines the partition of the remainder.

Still another method obtains in "haddocking" voyages in winter. The owners find the vessel and pay

the skipper. The crew find provisions, dories, and fishing-gear, and pay all expenses. The catch is sold for cash, and the crew have three fourths and the owners one fourth of the gross proceeds.

In the cod-fishery, the captain sometimes selects five or six sailors of unusual efficiency, who are to share with him equally. They employ other hands, "half-liners," who are paid strictly according to the number of fish they have caught; the principle on which they are rewarded is that of piece-work. Actual participation in the product of the trip is restricted to the captain and his five or six associates, who constitute a body similar to the *noyau* or "nucleus" which we shall find in the *Maison Leclair*.

In the cod and mackerel fishery the common hand makes, generally, some four hundred dollars in a good season, beginning in May or June and ending in September or October. He has been known to make as much as \$1500 or \$2000. The captain usually earns from one to three hundred dollars more than the sailor. The returns, however, fluctuate greatly; the business is very uncertain, and nowhere is the deceitfulness of "averages" more striking. The extreme values of the vessels employed are \$3000 and \$12,000; the average is \$5000.

Concerning the good results of this system of rewarding labor there is no difference of opinion among the parties interested. The wages system, owners and fishermen agree, would not work. The owners say: "We should get a lot of loafers, and the business would go to ruin. The present system is strictly co-operative. When the men are not getting a good living, our business is losing money terribly. It is noticeable that the poorest men are to be found in



seining, in which all share equally. In cod-fishing the men make it hard for a fellow who does not earn his share of the expenses." To the same effect the fishermen say: "We could not live on wages, for the active, skillful men would fare no better than the lazy; there would be no inducement to secure the largest possible catch, the business would become unprofitable, and wages too low to tempt first-class men."

Fishing is one of the most severe of human occupations. It demands, as Roscher says, "from every sailor, and even the cabin-boy, extraordinary zeal and devotion, and at times extraordinary courage and presence of mind." An *esprit de corps* of the most stringent kind is necessary for the success of the trip. The product sharing system makes every sailor a partner in the enterprise, and brings to bear upon his mind every motive to zeal and good order. Harmony is the rule on fishing-schooners; the division rarely raises a dissension. The crew are constantly thinking of the common interest, which bids them be economical of the material used, careful of nets and lines, and eager to fill each moment of action with the most profitable endeavor. They work with passionate zeal when they have struck a "school" of fish, and they waste no time in the subsequent work of packing and salting. Each man knows that he is under the ceaseless surveillance of every other man. The discipline, of which no one complains, is at least as effective as that of soldiers in the field.

The system offers the best of opportunities for capable men to gain fit recompense for unusual ability and to improve their condition. They easily become skip-pers, and soon after part-owners, for the other proprietors are desirous of having the captains in command

of their vessels possess a direct pecuniary interest in the success of the business. On Cape Cod, a large number of captains who have thus worked their way up are to be found, and "it is estimated that fully a quarter of the skippers of Gloucester have proprietary interests in the fleet." No such result appears in ports where fishermen are on simple wages. Where the wages system has been introduced into the fisheries, as it has been to a considerable extent within the last thirty years, its effects have been distinctly unfavorable. The most flourishing ports are those where the principle of product sharing finds its most thorough application.<sup>1</sup>

Dr. Böhmert and the Participation Society have collected many particulars of product sharing in other fisheries than those of America, but they may be passed over briefly. In England the system is widespread. At Peterhead, Hull, Grimsby, and Yarmouth, for instance, and in the Devon ports, where the practice is of old date, it produces the best results. The fisheries of Germany on the North Sea are of small importance beside those of England. It is interesting to note, however, the experience of two short-lived fishery associations founded at Bremen and Hamburg in 1866. The great lack with both these societies was of experienced fishermen. The Bremen society adopted first the half-and-half division of the product ; but finding this insufficient for the best results, it followed the plan of paying a fixed sum, of small amount, as wages, and a quarter part of the net product. The

<sup>1</sup> In the Seventeenth Annual Report of the Massachusetts Bureau of Statistics of Labor, from which much of the preceding matter has been compiled, the reader will find the interesting figures showing a year's statistics of product sharing by a Gloucester fishing firm.

directors were much gratified by the success of this method, which they considered "most rational." The Hamburg society, which practised a method of product sharing of some complexity, found from experience that it was not advisable to divide products with the fishermen directly from the office. They substituted, therefore, the plan of allotting to each vessel its share, and allowing the crew to divide this according to an agreement among themselves; and this system approved itself. The Franco-German war caused the downfall of both societies. At Flensburg, in Schleswig-Holstein, the fishermen go out by twos or fours, and divide the catch in proportion to the capital and labor furnished by each. In Denmark fixed wages are paid and a share in the product. The Russian *Artels* in Archangel, for the capture of seals, walruses, and sturgeons, know not wages, but practise the share system. On the coasts of Greece product sharing is likewise the rule, not only in the fisheries, but in the entire merchant marine also.

In France the men engaged in the cod-fisheries of Fécamp, Dieppe, and other ports receive 300 fr. a year, and five per cent. of the profits. In the herring fishery, as practised at Treport, the net product remaining after numerous charges have been paid is divided, half to the owner of the boat and half to the crew. At the considerable port of Granville, on the Channel, the crew receive either a third or a fifth in the cod-fishery. When he is engaged on the one-third plan, the sailor must reimburse the fitter-out of the vessel for advances made; when he agrees to take his share of the one-fifth, he is not obliged to repay what has been advanced. Under the one-third system, the fitter-out sometimes asserts that if the trip should be

a total failure, he would have a claim upon the property or the future wages of the men on account of his advance money ; but the claim is of doubtful validity. Such a case has not yet presented itself, or if it has, no fitter-out has attempted to make good the claim. It is customary at Granville to reserve from the whole amount paid each man three per cent. for the benefit of the Sailors' Fund. In many profit sharing houses provident funds have an important part to play in encouraging thrift, and securing a comfortable old age to the participants, whose contributions are compulsory. In most of the product sharing schemes which have occupied us it is a great defect that no encouragement of this kind is given to habits of prudence. In the French maritime ports, product sharing is the rule in the fisheries, but under a great variety of conditions. Some of the sets of regulations to be signed by the sailors are very elaborate ; that in force with the firm of MM. Beust Père et Fils, of Granville, numbers some thirty articles.

### III. IN MINING.

Charles Babbage, the eminent author of that remarkable work, "On the Economy of Machinery and Manufactures" (1832), gave in it an account of the system of product sharing long pursued in the mines of Cornwall (chap. xxi. pp. 160-162, American edition, sections 210, 211). "Almost the whole of the operations, both above and below ground, are contracted for. . . . At the end of every two months the *work* which it is proposed to carry on during the next period is marked out. It is of three kinds: 1. *Tut-work*, which consists in sinking shafts, driving levels, and making excavations; this is paid for by the

fathom in depth or in length, or by the cubic fathom.

2. *Tribute*, which is payment for raising and dressing the ore, by means of a certain part of its value when merchantable. It is this species of payment which produces such admirable effects. The miners, who are to be paid in proportion to the richness of the vein, and the quantity of metal actually extracted from it, naturally become quick-sighted in the discovery of ore, and in estimating its value ; and it is their interest to avail themselves of every improvement that can bring it more cheaply to market. 3. *Dressing*. The tributors, who dry and dress the ore, can seldom afford to dress the coarser parts of that which they raise, at their contract price ; they therefore leave it, and this portion is again let out to persons who agree to dress it at an advanced price. The lots of ore to be dressed and the works to be carried on, having been marked out for some days, and having been examined by the men, a kind of auction is held by the captains of the mine, in which each lot is put up, and bid for by different gangs of men. The work is then offered, at a price usually below that bid at the auction, to the lowest bidder, who rarely declines it at the rate proposed. The tribute is a certain sum out of every twenty shillings' worth of ore raised, and may vary from three-pence in the pound to fourteen or fifteen shillings. The rate of earnings in tribute is very uncertain : if a vein which was poor when taken becomes rich, the men earn money rapidly ; and instances have occurred in which each miner of a gang has earned a hundred pounds in the two months. These extraordinary cases are, perhaps, of more advantage to the owner of the mine than even to the men ; for, whilst the skill and industry of the workmen are greatly stimulated, the



owner himself always derives greater advantage from the improvement of the vein. This system has been introduced by Mr. Taylor into the lead mines of Flintshire, into those at Skipton in Yorkshire, and into some of the copper mines of Cumberland; and it is desirable that it should become general, because no other mode of payment affords to the workmen a measure of success so directly proportionate to the industry, the integrity, and the talent which they exert."

Examples of product sharing in other and lesser industries than the three great occupations of agriculture, fishing, and mining, might be adduced. The trade with China from American ports was an instance. J. S. Mill quotes Mr. McMicking's "Recollections" on the practice of the system in the Philippine Islands, in the trade in manufactured goods.<sup>1</sup> The Chinese, most conservative of nations, conduct business on this primitive plan to no small extent. Without dwelling further on this method of recompensing labor by giving it a share in the product which it has accomplished, in connection with capital and management, let us pass on to consider broadly the system which has gradually superseded product sharing in the industrial evolution.

<sup>1</sup> *Principles of Political Economy*, Vol. ii. Bk. iv., ch. vii. § 4.

## CHAPTER II.

### THE WAGES SYSTEM IN ITS VARIOUS FORMS.

Time Wages — Piece Work — Quality Prizes — Percentage on Sales — Economy Prizes — Existing Antagonism between Employer and Employee — The Sliding Scale — Conciliation and Arbitration — Interest in the Business.

PRODUCT sharing, we have seen, is the natural method of rewarding labor in primitive times and in fundamental industries. The prime need of the tiller of the soil, as it is the first need of every other human being, is bread. He desires food materials, then, first of all, as the recompense of his toil, for himself and his family. His next necessity is clothing; and the materials for this, too, the holder of the soil will furnish from herds and flocks. When the laborer has fed and clothed his wife, his children, and himself, he will barter what is left of his share of the products of the earth for the work of craftsmen on a house, and for the few conveniences of an elementary civilization. The carpenter and the smith gladly exchange a major part of their labor for things eatable with those who raise them, and for things wearable with those who make them: the minor part goes in exchange for services and other commodities.

The reign of *barter* includes payment in kind and product sharing as the proper, indeed inevitable, forms of compensation of labor. The nearer to the satisfaction of man's primary needs any occupation stands, the

more largely does the system of direct exchange of commodities for work or for other commodities obtain in it. Barter is a familiar transaction on the farm; while the country boy's business, in its forms a "survival" of primitive trade, as his games are of antique solemnities, largely consists in "swapping" jack-knives!

When money comes into use as an instrument of exchange, its first employment is naturally in the manufactures of early times, where the articles are cumbersome or high-priced, and barter is therefore undesirable. Tradesmen of all kinds, in their dealings with each other, can conveniently exchange commodities or services to a very limited degree only. They can advantageously share the products of their industry with their employees to a less and less extent as civilization advances. Transacting business with owners of the soil, they find it more and more necessary to use money, the universal substitute. As industries develop in a constantly growing independence of agriculture, the wages system tends to establish itself more firmly as the accepted method of payment for labor. It invades the occupation of tilling the earth last of all; there, with all its convenience, it encounters primal physical necessities, which long render product sharing and payment in kind the main methods. In agriculture, even now, the wages system has not driven out these two older systems, nor does it show signs of completely dispossessing them; but it has proved itself a most useful and convenient method for supplementing often the older modes of payment, and for replacing them on occasion. The farm-laborer as a rule, the whole world over, touches very little money from the beginning of the year to its end, in comparison with the laborer in handicrafts or manufactures. Agri-

culture, barter, and product sharing are normal associates, while manufactures, the use of money in exchange, and the wages system are connected phenomena of the same progressive civilization. A manufacturing age finds the system of paying wages in money simply indispensable.

As compared with the olden way of payment in kind, the superior ease and convenience of payment in money are obvious to all, and I am not aware that any one seriously proposes a return to the more primitive method. The shoemaker, in a boot and shoe factory, would find himself much incommoded with cases of shoes given him in payment for his labor. Half a dozen pairs might be welcome, at wholesale rates, for the use of his family; but the disposal of his whole earnings in the shape of shoes would be a laborious and often unprofitable undertaking. The operative in a silk and velvet manufactory would have a less cumbersome material on his hands, but one which he would find it more difficult to sell. The variability of the market to which the operative would be obliged to resort puts product sharing utterly out of the question for him. In agriculture the market is more steady and more accessible; but the practical inconveniences of an invariable system of division of products of the soil among the workers would be great. A laborer, once accustomed to the facility of money as an instrument of exchange for service and for commodity, will not go back to product sharing of his own free will. Machinery, again, which has so enormously increased the productivity of labor, has done its part to render payment of wages in money imperative.

The wages system, then, so far as substance of payment is concerned, finds no assailant in its general

diffusion through human industries. No one has proposed, in the interest of labor, to give up wages, fees and salaries, paid in cash, in order to substitute recompense in commodities. But the declaration is frequently made that the wages system is fundamentally wrong in its partition of benefits. It is said to be, like slavery and serfdom, but one stage in the secular development of industry, out of which we must advance into a new "fourth form of contract," for which "co-operation" is the best name. Chateaubriand even affirmed that the wage-earner is under a system of "prolonged slavery." Declamation to the same effect is frequently heard to-day from labor-reformers. It is hardly necessary to point out that these assertions do not proceed from men who have had practical experience of the lot of the slave. A very brief period of servitude would probably suffice to prove to them the emptiness of such rhetoric. Because slavery and serfdom, under which the laborer was not a free contracting agent, have practically disappeared from the civilized world, it does not, by any means, necessarily follow that the wages system, under which the employee is free from all legal coercion, must also pass away. On general grounds, it is more probable that, having succeeded to slavery and serfdom on its intrinsic merits as a system of free contract, it will endure very long, and will undergo evolution rather than perish in revolution. The advantages it secures to the laboring man, as we see them in observing the simple facts of industrial life, are so great, in comparison with its disadvantages, that we might naturally expect the first complaints against it to proceed from the employer rather than from the employee.

Let us look for a moment at the natural history



of a modern manufactory. An enterprising man perceives, as he thinks, an opening to make money by establishing and operating a woolen manufactory in a certain place. Using capital, his own or borrowed, he erects a building and stocks it with machinery at an expense of tens of thousands of dollars. After he has bought the wool and other material, he must have persons to run his engines and tend his looms. They will not work for nothing, as they must have at least the means of subsistence. What shall he offer them? Suppose that he has been so unwise as to exhaust all his capital, and his credit as well, at the very outset, before a yard of cloth is made. Suppose that he then endeavors to engage workpeople by promising them simply a fixed share in the profits. What would the sensible workman have to say to such a proposition of coöperation, where he himself would invest no money capital and would receive no regular wages? Would he not answer: "How shall I live, and support my family, while the woollens are making and are not yet sold? Other workmen object to the delay of a month in getting their wages. They wish to be paid every fortnight, or every week; and such frequent payment is very advantageous to them. I should have to wait an indefinite number of weeks or months until you effect a sale of the goods I have helped to make. I might indeed manage to get along on credit, paying more, in the end, than if I bought for cash. But will the grocer, and the butcher, and the tailor, and the house-owner give me credit if I am to receive no wages, and must depend entirely for my deferred recompense upon your skillful conduct of the business? For here comes the pinch. While my associates and myself may do our best in making woollens, you, with all your

efforts, may reap but a small profit in selling them. Nay, who knows if there will turn out to be any profit at all? No! I cannot take such a risk. Pay me the average wages, even if they are a less return for my labor than what you would give me out of the profits. Then I shall have some regularity and some certainty about my income, and can adjust my expenses to it. Then I can buy in the cheapest market. Take yourself all the risks of business, reap yourself the profits, and bear yourself the losses as they may come, and give me the certainty of regular wages."

Such would be the probable answer of a prudent workingman to the imprudent manufacturer. If he were then engaged elsewhere on wages, he might afterward have a conflict with his employer as to the fairness of his pay, but he could not ask that the *system* itself, of a regular fixed payment for so many hours' work, should be abolished in favor of a distant share in precarious profits. How doubtful such a prospect would be, appears from the usual estimates of the proportion of men who fail to make a profit in conducting business of their own. The fact has been already noted that business men often say that only 5 per cent. succeed while 95 per cent. fail. These latter figures may be exaggerated. In France, said a witness before a parliamentary committee previously quoted, "out of 100 business men, 10 make money, 50 vegetate, and 40 fail entirely." Taking this more favorable estimate, we see that the workman's chances of getting a pay out of profits equal to the average wages would be, at the outside, only three out of five; while those employers of labor who "vegetate," in the French phrase, usually pay the lowest wages. Hardly would the laborer, then, have more than one chance in ten of get-

ting good wages under such a coöperative contract as we have supposed. It is not to such risks as these that we should invite the worker who has no capital to fall back upon in case of loss. It is evidently inexpedient if not unjust to make the entire compensation of the operative depend upon the chances of the market, or the commercial skill of the manager. The workingman cannot afford to take these risks: he can support himself on lower wages than are his just due, but he cannot give up the frequency and certainty of recompense which the wages system assures him. M. Paul Leroy-Beaulieu well says: "Wages render the employee responsible for his own work, and do not leave him dependent on the doings of others, on their intelligence, administrative ability, and understanding of affairs, and on the general prosperity. Wages are a kind of insurance against the possible incapacity or the eventual *maladresse* of the commander and director of labor." <sup>1</sup>

The imperative necessity, to modern laborers, of the stability and regularity of wages is practically confessed by those who are working out coöperation in practice. There are very few establishments for co-operative production in which there is not a body of auxiliary workmen, not admitted to a share in the profits but paid by the day, the same as if they were employed in an ordinary establishment. These coöperative associations, again, usually make advances on account to their members, to enable them to meet their running expenses. These advances, large or small, are simply wages under another name. One fact sufficiently proves this. In case these advances are not wages, they must be loans which are capable of recov-

<sup>1</sup> *De la Repartition des Richesses*, 1881, p. 374.

ery by the lender. But when coöperative associations fail, as most of them have done thus far, no creditor takes steps to recover from the members the sums they have received on account. These advances on account are no more repaid in fact than are ordinary wages when the wage-paying firm fails.

Taken as a whole, then, and in its most general operation, the wages system might seem to be more favorable to the employee than to the employer. Granting that the proportion of men who succeed as employers of labor on any considerable scale is larger than any of the estimates usually made, and supposing that it actually amounts to one third instead of one tenth of all who make the attempt, then the advantage of regular wages is two to one in favor of the workman, and against the employer. Only in one case out of three, under this supposition, would the employee receive less than a division of profits in lieu of wages would give him; and it might often be only a little less. In two cases out of three he receives more in wages than a division of the product as sold would entitle him to. It should be obvious, then, that the wages system, so far from being a slightly modified form of slavery, is in fact a kind of coöperative association, in which the larger part of the risks and uncertainties falls to the manager, and the larger portion of the certain and regular return to the men. As M. Émile Chevallier has excellently stated the case, the wages system is "an association *sui generis*, which one of the partners has entered only on condition of being in advance freed from the risks inherent in the enterprise, the part to fall to him being fixed and the time of its payment."<sup>1</sup> Such is the actual

<sup>1</sup> *Les Salaires au Dix-neuvième Siècle*, Paris, 1887.



character of the ordinary method of remunerating labor in civilized countries at the present day. The workman cannot afford to take more risk than he actually does in contracting with a manager whose business ability is an uncertain quantity. If the employer is so inefficient or unfortunate as to lose money, he fails, and the employee must seek work elsewhere. Against such a loss of employment the workman can have no safeguard, other than his own shrewdness in choosing his employer, when a choice is open to him. This one risk he must take. Nearly every other risk of loss is thrown upon the master, so that practically the workman has many of the advantages of association without most of its inconveniences.

The naturalness of the wages system, as compared with equal coöperation, appears when we consider the truth, which so many injudicious "friends of labor" fail to perceive, that hand-work is but one factor in production. Capital and skill are the two other factors, each as indispensable in the joint work as labor itself. Coöperative producers find it impossible, of course, to do without capital, whether this be borrowed or consist only of their own modest savings. They have not made the attempt, though some political economists of the first rank have committed the mistake of attributing it to them, to do without the capitalist. As President F. A. Walker, in company with leading French economists, has shown, the actual effort of coöperative producers is "to get rid of the *entrepreneur*, or manager," whose skill brings capital and labor together under his own direction, in a partnership the result of which is proportional to his business ability. We may simply note, in passing, the very meagre results yet achieved in coöperative production,



despite great expenditure of effort : the fact indicates a fundamental weakness in the method.

The democratic element in modern society is undoubtedly gaining in strength with every year, and there is no good reason for lamenting its advance. But it will never do away with the natural aristocracy which has made skill in the conduct of business the endowment or the acquisition of a few. The many must continue to follow, as they have always done, when they did not rush to disaster ; and the select minority of Nature's choosing must continue to lead, if the many are to prosper. Natural selection makes stern havoc with headless coöperative associations in competition with firms directed by captains of industry. The weakness of coöperative production, thus far, has been its gross undervaluation of the manager. The dream of an equality contradicted by the plain facts of human nature has led coöperators to offer petty salaries and restricted powers to their superintendents. But modern industry takes on more and more the character of a civilized warfare in which regiments composed of brigadier-generals are quite out of place. While, then, attempts at coöperation have been numerous the world over, the percentage of failures is very large in consequence of this fundamental mistake of underrating the part that brains have to play in successful production, under the keen competition which is the rule in the last half of the nineteenth century. The wages system, on the contrary, is continually making inroads into the ranks of the small dealers, who are forced to take service with the large firms. Joint-stock companies multiply in every direction, and the number of persons on wages or salaries increases absolutely and proportionally every year.

It would be difficult, if not impossible, to imagine a feasible system of conducting business, under the actual conditions of the industrial world, more generally applicable, and more in harmony with all the elements involved, than the method which is to-day assailed by many crude thinkers as a relic of feudalism, or even of barbarism. Its general prevalence is a sufficient proof of its logical strength. It does not everywhere totally supersede the more primitive system of product sharing. It does not take one and the same form throughout all industries: on the contrary, it admits of numerous qualifications, such as payment by the piece, premiums on production and for economy in the use of material, and the admission of the laborer to a share in the profits treated in this work. These and kindred devices, which have been tried and approved in various degrees, are, one and all, variations upon a main theme. They are modifications of the wages system, which retain its essential feature of a fixed and regular return for labor apart from the risks of business. They are natural evolutions; they are not, like coöperation, species of revolution.

Coöperative production may find a sphere, if a quite limited one at present, in old and thoroughly well-established businesses; it may even slowly extend itself as a development out of a modified wages system. It will not, however, endure a comparison, either in theory or in practice, with the wages system; least of all, with the wages system in some of its improved forms. If, for instance, the feature of allowing the employee a share in profits, in addition to his wages, should become general, coöperation would probably find the task of competition with such a system more

difficult than its present competition with a simple wages system.

Before we pass on to consider the disadvantages of the pure, unmodified wages system, let me reiterate its advantages and virtues. It is no arbitrary arrangement, of an artificial character, devised in the interest of the employing class. It does not bear those marks of gross injustice to human nature which condemned slavery and serfdom. It is not a product of a transitory and past form of society; but it is coeval with the existing personal freedom of the workingman. It is no more contingent and fugitive than the natural distinction between hand and head, between muscle and brain. On the contrary, it is a natural feature of free labor of world-wide extent. It is a simple consequence of the increasing division of human functions. It is the most generally applicable of all methods of compensating personal service. Its flexibility is remarkable, corresponding in large degree to the wide adaptability of money. Its essential qualities promise it duration as long as labor remains free, capital continues to accumulate, and differences of intellectual ability distinguish men from each other. In all probability it will remain as the permanent basis of the reward of labor, upon which improvements in the relations of master and man will be founded. The best general and habitual rule, it is sufficiently pliable to adapt itself to present exigencies. If it were not susceptible of improvement, it would be a strange exception among human institutions. The natural conservatism of the business world demands that improvements shall be thoroughly tested before they are presented for general adoption, and it may well be excused for refusing long consideration to schemes which would essentially revolutionize the wages contract.

Such is the argument in favor of the existing system of rewarding labor. We must agree with M. Cernuschi that "to attack the simple and natural combination of the wages system is to go backward toward a less civilized state,"<sup>1</sup> for nothing has yet been proposed and tested which, in any considerable degree, shows its capacity for entirely *replacing* it. Profoundly convinced of this fact, I am none the less certain that the system must be *modified*, in the light of experience, if modern society is to witness peace between master and man. We have to say of the wages system, as Matthew Arnold has rightly or wrongly said of Christianity, we cannot do without it, and we cannot endure it as it is. The prodigious development of recent civilization has brought about an expansion of human nature entirely beyond the containing power of the pure wages contract. The workman's legitimate ambitions and just discontents imperatively demand some modification which shall practically recognize in the world of work the growing equality of men. To talk of industrial revolution is idle; just as idle is it to hope to maintain things as they are. In view of the enormous power which the working classes now hold over legislation in consequence of the general prevalence of manhood suffrage, it is not too much to say that the wages system is destined to the most violent assaults, if the employing class should persist in refusing to improve it by initiating changes which shall supply its present deficiencies, and remedy its inequitable workings.

Believing firmly in the essential reasonableness of the body of employers of labor, and of the great mass of workingmen, I proceed, in no alarmist spirit, to

<sup>1</sup> *Illusions des Sociétés Co-operatives*, p. 35.



point out the defects in the wages system which are largely the cause of the existing state of industrial war. They are remediable defects. Each of them can be remedied without any attempt to do away with the wages system as the permanent basis of labor contracts. The portentous labor difficulties of our time arise from the unchecked play of a method of pure wages: they will mostly disappear when this method shall have been supplemented and improved by super-inducing upon it features derived from other methods which the wages system has never quite superseded. Some of these features already appear in this and that industry, or in this and that house, and, so far as they have been thoroughly applied, good has resulted. The tension in these houses and industries is much less than that which generally prevails. Proceeding now to review the disadvantages and shortcomings of the wages system, I shall present them from both sides of the contract, as the giver and the receiver of wages recite them.

#### TIME WAGES.

The wages system has a very wide range of application to the great majority of the diversified industries of civilization, and the workers in each industry may be and are roughly classified according to the subdivision of labor which obtains. Yet the system is incapable from its very nature, since it strikes a general average, of rewarding each man in strict accordance with the quantity and the quality of his specific performance. I am here speaking, of course, of the method of paying wages by the day or week, pure time wages, which is the most common practice. A system which in fact offers the same reward to the



lazy and the active, to the efficient and the inefficient, promotes idleness in the one class and discontent in the other.

In order to do justice to himself, the employer is obliged to adopt an average of wages which may not be the equitable compensation of more than one third of his workmen. The farmer would gladly pay each of three laborers the two dollars a day which one of them could earn, for he knows, as well as Sir Thomas Brassey, that the highest-priced labor is the cheapest, when it is the best. But of the other two men, one is entitled, in fairness, to only a dollar a day, comparing his work, in respect to amount and thoroughness, with that of the first. The third man fairly earns a dollar and a half a day. When the farmer pays this sum to each as the proper average, the third man suffers no wrong; but the first is underpaid, and the second is overpaid. The usual result is, that all three need careful superintendence in order to obtain from them merely the average amount of work, and it is a piece of good fortune when one person out of the four is satisfied, — the one who does not earn his wages! For the third man knows that his pay would be higher, did not the second drag down the average wage; the first resents the forced contribution he makes for the benefit of the other two, and naturally falls off from doing his very best work; and the anxious employer is often, and with reason, the most dissatisfied person of the three. The illustration is hypothetical, but its lesson is the same as that taught by Mr. J. G. Batterson, president of the N. E. Granite Works at Westerly, R. I., in a printed letter to the superintendent of the works (January 4, 1886): “With the results of a long experience before me, I am convinced that the

payment of fixed wages to a large number of men carries with it no inspiring motive to the attainment of a high standard of excellence, either as to the quantity or quality of their productions; but, on the contrary, it tends to indifference and laziness to such an extent that the measure of a fair day's work is not that quantity which can easily be done and well done by a good man, but that quantity which an indifferent man is willing to do and can do without much effort." Mr. Batterson simply voices here the general complaint of employers of labor on fixed time wages. The owner of the farm and the overseer of the factory have no eulogy to bestow on the majority of their workmen. Every employer of labor on a large scale especially suffers from the application to all varieties of workers of a system which takes too small account of degrees of industry or skill.

#### PIECE WORK.

The obvious remedy, of course, for this deficiency is *piece work*, and payment according to the amount and quality of the work actually accomplished by each laborer. Nothing reveals more forcibly than does the introduction of piece work the inequity of the fixed wages system. "The consequence is," continues Mr. Batterson in the letter already quoted, "that the best men, who are endowed with both energy and skill, soon break away from the restraints of idleness, and by the 'bill of prices fixed for piece work' obtain a larger freedom and a larger reward for their labor; and the fact appears also that this system of compensating labor is most remunerative to the employer, which brings us to the point that the average and indifferent workman does not earn his wages when tested by the standard of his own 'bill of prices.'"

Piece work is practised in many industries. Where it is not applicable throughout the manufacture, it is extended to all the processes in which it is feasible. Everywhere the system produces good results, and it is capable of refinements which make it a highly equitable method of respecting individual efficiency. It may be supplemented, for example, with prizes for speed of production. M. P. Leroy-Beaulieu instances a French custom of this kind. "A female weaver, who has made, in the fortnight, one piece of cloth more than a determined quantity, receives, beside the ordinary wage for each piece, a prize of two francs; if, instead of one extra piece, she has made two, she has a right, then, not only to two prizes of two francs, but also to a third supplementary prize of one franc. This is what we have called progressive wages."<sup>1</sup>

The piece work method thus appears to be a most important and valuable improvement upon fixed wages. It is apt to lead, however, to improper haste and careless work on the part of the employee. It therefore demands, as a rule, close superintendence, and rigid insistence upon a good quality of work. Its obvious tendency is to increase quantity at the expense of quality of performance. Where supervision is difficult, piece work will not find favor with employers who wish to keep up the reputation of their product. As a partial remedy for the inequality of fixed wages, piece work deserves trial wherever the nature of the occupation allows of it. It supplies a needed stimulus to the laborer, and its effect is to increase the profits of the employer; with the same amount of capital employed as under the unmodified wages system, the output is increased, since each man is directly inter-

<sup>1</sup> *De la Repartition des Richesses*, 1881, p. 374.

ested in producing as much as possible. This method is practised with especial success in the great coal and iron industries, and wherever it is practicable it has approved itself, as a rule, both to the master and to the man.

Payment by the piece, *i. e.* by the work actually accomplished, is, on the very face of it, more equitable than payment by the time spent at the work, without regard to the degree of industry or efficiency in the worker. A weak point in the argument for a "normal labor-day" is, that only the element of time is taken into consideration. The employer does not usually wish to pay for *time*: he wishes to pay for *service*, and if the service is such as to admit of division into piece work, he often prefers, for his own interest, to adopt a method by which the highest wages shall go to those who actually earn them. The most efficient laborers equally prefer this system, since under it their wages are not lowered to an average because of the inefficiency of the other men. The natural leadership of the skillful few receives an artificial check when trades-unions, or other associations of workingmen, insist upon time wages as the only rule for all. If piece work were generally practicable and desirable, its wide introduction would do away with the objection to the wages system that its rigidity rewards good, bad, and indifferent workmen alike. But in many occupations the system is not applicable from the nature of the work done; in others, where payment by the piece is quite feasible, its resulting advantages are not such as to have led to the supersedure of time wages; and in others, where the work is peculiarly difficult, or a high standard of quality must be maintained, the payment of skilled workmen by the hour or the day leads to



better results. Thus, in the printing of mathematical treatises or of Oriental writings, which demands great care and precision, and in those mining operations on which the safety of the miners depends, day wages are given to assure the best effect. The inherent weakness in the system of piece wages is the constant temptation to haste, which causes the turning out of an inferior quality of work. This fact demands increased expenditure for labor of superintendence. According to the difficulty of supervision, and the value of the product which may be spoiled by carelessness, is the just reluctance of employers to adopt piece wages in the place of time wages. Too often what is gained by the workman in quantity of performance is more than lost by the employer in quality.

#### QUALITY PRIZES.

Piece work then, like time work, does not hold out sufficient inducement for putting forth the highest quality of labor. What J. S. Mill has said of the "wholly indefinite" demands and expectations of poor workmen, applies as well to the manner as to the amount of their work. "The total absence of regard for justice or fairness, in the relations between the two, is as marked on the side of the employed as on that of the employers. We look in vain among the working classes in general for the just pride which will choose to give good work for good wages. For the most part, their sole endeavor is to receive as much, and return as little in the shape of service, as possible." This defect in the wages system, whether time work or piece work be preferred, is overcome in various industries by giving prizes for excellence of quality, apart from quantity of product. The porce-



lain factory of Nyon, in Switzerland, for instance, gives weekly prizes of this kind to a portion of the workmen. So in the Lorze factory, in the Canton Zug, the spinners are stimulated to do their best by an increase of wages for improved quality of work.

But there is no such general remedy for poor quality, as piece work affords for deficient quantity, of work under the wages system. Quality prizes palliate, to a minor degree, this weakness; but it remains true that the wages system does not, in itself considered, tend to make the workman strongly interested in creating or sustaining a reputation for his employer of sending out a high grade of product.

#### PERCENTAGE ON SALES.

We may quite profitably distinguish between quantity of production and quantity of sales. Employees concerned with the latter business are usually engaged on salary, rather than on wages. But whether they are agents, "drummers," commercial travellers, or heads of selling departments, a fixed salary carries with it no inherent incentive to increase the amount of sales as much as possible. Hence there has arisen the common practice of adding to the salary of these employees a percentage on the sales effected by them personally, or by the department of the retail or wholesale trade of which they have charge. This practice is so very common, especially in the dry-goods business, that no example need be cited.

#### ECONOMY PRIZES.

In the productive industries and in transportation, the wages system offers no inducement for wage earners to exercise that close economy of raw materials

and combustibles, and that special care for tools and machinery, which are natural in the proprietor, who is himself directly interested in cutting off all avoidable waste and loss. The workman who is indifferent to the quality of his product is, usually, also wasteful of the material, and tools and machinery are apt to suffer from lack of proper care on his part. Too often the more efficient workers neglect the economies which do not affect themselves directly. Some railroad and steamboat companies bring about a due economy of oil and fuel by instituting prizes for saving in these matters; but it is, of course, necessary to guard against a penny-wise and pound-foolish policy in this direction, by fixing a minimum below which a shortsighted policy of thrift must not be allowed to go.

#### EXISTING ANTAGONISM BETWEEN EMPLOYER AND EMPLOYEE.

The one supreme advantage of the wages system is the regularity and fixity of payment which, as a system, it secures to the workman, — an advantage which will probably give it a much longer lease of life than the advocates of coöperation generally concede to it. Yet attention may well be called to the fact that human nature, whether in employers or in the employed, has a common propensity toward finding gratification in the simple fact of *variability*. It is not the more progressive workman only who becomes discontented with receiving the same wages year after year. Discontent will find food for itself in the long monotony of a fixed wage, when the market sanctions neither an increase nor a decrease. If we rather admire than condemn in a man of affairs his preference of a business in which the profits are great but fluctuating, to

one in which they are both safe and small, we must make allowance for the same disposition in a workman. It would lead him to seek an employment in which the return to labor has not only a basis of regularity but also some features of variability, tending to call forth unusual exertion even of common powers.

If any persons who have an unhappy tendency to forget that workmen, if machines, are *living* machines of which a human brain is a constituent part, should deem very fanciful this suggestion that an ideal wages system would gratify the desire of human nature for variation as well as for regularity, its pleasure in uncertainty as well as in certainty, of return for its efforts, they must surely allow that, in practice, the wages system causes a great deal of friction, in the changes of wages which occur. With a favorable market, the workman is quick to demand, and the employer is not over-quick to grant, a rise in wages. With an unfavorable market, the conditions are reversed: the employer is quick to reduce wages, and the workman is not over-quick to accept the reduction. The greater part of the strikes and lockouts which so disturb modern industry are caused by disputes over the amount of "fair" wages. In their multitude they are a convincing proof that, whatever its advantages and excellences may be, the wages system does not possess the degree of pliability which is desirable, even under a moderate conception of the possibilities of human felicity. However finely men may talk about the identity of interests of capital and labor, it remains a natural and an inevitable fact, that, under the wages system, there is a constant clashing of interests between the employer and the employed. It is not at all for the final profit of employers as a class, indeed,

to try to push down wages to the limit of bare subsistence; nor is it for the ultimate good of the employed, as a class, to try to raise wages so high that they will swallow up the profits of management. But between these two extremes, from both of which a moderate degree of rationality preserves both classes more and more, there is plenty of fighting ground. How well it is occupied by warfare under the forms of peace, the recent figures of the United States Labor Bureau emphatically prove. The Third Annual Report of the Commissioner of Labor, Carroll D. Wright, contains the results of a general investigation of all the strikes and lockouts that occurred in this country for the six years ending December 31, 1886. A thousand pages were needed to give the facts of the campaigns of these six contentious years in which now the laborer and now the employer was the first to declare war. Here follows the melancholy exhibit for each year of the number of strikes and of establishments involved.

Year.	Strikes.	Establishments involved.
1881 . . . .	471 . . . .	2,928
1882 . . . .	454 . . . .	2,105
1883 . . . .	478 . . . .	2,759
1884 . . . .	443 . . . .	2,367
1885 . . . .	645 . . . .	2,284
1886 . . . .	1,411 = 3,902 . .	9,861 = 22,304

In 1887 there were, according to the best information obtainable, 853 strikes. The whole number of employees striking and involved, during the six years, was 1,323,203. The number of establishments ordering lockouts was 2,214; the employees locked out numbered 160,823.<sup>1</sup> The Report estimates the loss to

<sup>1</sup> "In many cases there have been two or more strikes or lockouts



strikers, for the period embraced in the investigation, as amounting to \$51,814,723; the loss to employees through lockouts, as \$8,157,717; the total loss of wages to the laborers was thus nearly *sixty millions of dollars*. The sum of money given in assistance to strikers, so far as ascertained, amounted to \$3,324,557; that given to the workmen locked out was \$1,106,038: making a total of \$4,430,595. But these amounts, says Colonel Wright, are certainly too low. The employers suffered from strikes to the extent of \$30,701,553, and from lockouts to the extent of \$3,462,261; the total loss to the establishments involved was thus \$34,163,814.<sup>1</sup> A grand total of loss to both hostile parties of nearly *one hundred millions* of dollars is thus seen to have taken place in six years, in a country once supposed to be the paradise of labor. The prophecy, twenty-five years ago, of such a state of things, would have been considered crazy. If we inquire how these struggles attended with such enormous pecuniary loss resulted, we find that in 46.52 per cent. of the establishments involved the strikes succeeded; in 13.47 per cent. they partially succeeded; and in affecting the same establishment in the same year. In such cases the establishment and the number of employees engaged are duplicated."

<sup>1</sup> President F. A. Walker has called attention to the fact that "the loss to production by strikes is often grossly overestimated. Not a few strikes take place because of a threatened reduction of wages in consequence of previous over-production, and the strike results in clearing the market more thoroughly than would be done otherwise. Then, again, the enforced inactivity of a strike for higher wages is often succeeded by an increased activity, which does something to make good the loss of time." While this is true, the proper reduction of the estimates of total loss is much more than overbalanced by the injury to business in general inflicted by a wide-reaching strike or lockout. The loss inflicted upon the community at large by the strike on the Missouri Pacific Railroad in 1886, for instance, was enormous.



39.95 per cent. they failed. Of the establishments that resorted to lockouts, 25.47 per cent. gained their point; 8.58 per cent. had partial success; and 60.48 per cent. failed.

It would be unjust to the wages system to impute the bad condition of things revealed by these statistics entirely to its vices or its defects. But beyond all question these figures prove that the system does not possess sufficient flexibility easily to adapt the rate of wages to the state of the market for labor and for products. On the contrary, the friction which accompanies an increase or a reduction of wages, procured through a strike or a lockout, is extreme. There would seem to be no complete justification, in the nature of the case, for this wide prevalence of industrial war. Granting, as we do, that the would-be employer of labor and the would-be employee have such an antagonism of interests as buyers and sellers of commodities have, we do not see the latter often engaged in mutually destructive warfare. The buyer and the seller of products find a *modus vivendi*. The law of supply and demand leads in their case to no such wholesale waste and loss as the above figures attest in the labor market. Human ability should be competent to the discovery and the application of remedies which would take away this reproach from civilization. The evil is not so radical as to demand the abolition of the wages system itself; but there appears to be an imperative need of inducing in the system, if possible, a greater responsiveness to the actual movement of labor values up and down. A not uncommon practice, at home and abroad, in business houses that have enjoyed a prosperous year, gives presents to their employees, whether wages have been raised or not. But

these presents (or "gratifications," as the French and Germans call them) are not regulated by any rule; having no system, they are but a slight palliative of the inequities of the wages method.

### THE SLIDING SCALE.

The "sliding scale," as adopted to some extent in the collieries of the north of England and of Pennsylvania, is an ingenious attempt at automatic regulation of wages. The principle is that "wages are to vary according to the selling price of the coal. A time is settled when the relation between wages and prices is agreed by both parties to be fair, and the scale is based upon this relation. The price paid at that time for coal is termed the 'standard' price, and the wages then paid are the 'standard' wages."<sup>1</sup> The definition given by Professor J. E. C. Munro, who is the chief authority on this subject, is exhaustive: "The 'sliding scale' is a method by which wages, based on a standard wage payable at a standard price, rise or fall an agreed percentage with every agreed rise or fall in the average price of coal at the mines, such average price being ascertained at fixed intervals."<sup>2</sup>

Mr. Price illustrates this definition by the first sliding scale adopted in the Durham coal trade. "The standard wage was to be paid when the standard price of 5s. 8d. to 6s. 4d. was realized. If the price fell between 5s. 8d. and 5s. 4d., the wages for the under-

<sup>1</sup> The most recent work treating of the sliding scale is Mr. L. L. F. R. Price's *Industrial Peace*, a report to the Toynbee Trustees, London, 1887, largely devoted to this method of adjusting wages in the Durham and Northumberland coal trade. The above quotation is from p. 73 of this work.

<sup>2</sup> *Sliding Scales in the Coal Industry*, p. 6. Compare also Professor Munro's *Sliding Scales in the Iron Industry*.

ground men were to fall 5 per cent. . . . If, again, the price fell lower than 5s. 4d., the wages of the underground men were to fall  $7\frac{1}{2}$  per cent. . . . And if, on the other hand, prices rose higher than 6s. 4d., a rise of 5 per cent. for underground men, above the standard wage, was to be made for every advance of 8d. in prices. . . . Prices were to be ascertained at the end of every March, July, and November, by two accountants sworn to secrecy . . . and the prices thus obtained were to be the average net prices realized for all coal raised at the pit's mouth during the four months preceding the time of investigation."

The principle of the sliding scale is excellent, especially when account is made, not only of the selling price of coal or iron, but also of the price of materials used, the deterioration of plant, etc., which do not vary uniformly with the amount obtained for the product of the mine or the foundry. The selling price of coal indicates roughly the amount of profit made by the employer, and when it rises or falls, within certain limits, it appears equitable that the wages paid should also rise or fall. But while there is nothing to be said theoretically against attempts to introduce an automatic regulation of wages of this kind, the results obtained do not justify an expectation of its wide adoption. Thus far, it has been confined to the coal and iron industries. Its application has been but limited in these two great occupations. It has been adopted and abandoned in a number of instances (four different scales have had this fate in the English manufactured-iron trade since 1872), and on the whole the system has not made much headway. While it is theoretically far preferable to the rigid system generally prevailing, the practical difficulties in

determining the "standard" of wages and prices, and the complexity of the necessary calculations, have militated against its general diffusion, even in the two industries where it has been most successful. There seems to be ground for conjecturing that the variable element in the return of the laborer may come to him better in the lump at the end of the year than in the form of a frequently revised wage. However this may be, the sliding scale as practised in the north of England has needed much help from arbitration. Of itself it has not been able to go alone even for the limited periods for which it is usually adopted. As a general remedy for the rigidity of the wages system, it has shown itself, thus far, quite ineffective. Professor Munro's praise of it as "the greatest discovery in the distribution of wealth since Ricardo's enunciation of the law of rent,"<sup>1</sup> is not borne out by the history of its application to the coal and iron industries.

#### CONCILIATION AND ARBITRATION.

The effort to establish an automatic regulation of wages has received assistance, it has just been said, from arbitration and conciliation. These are remedies of an external character as compared with the sliding scale. But they have had a far wider application in the settlement of labor disputes, and a very general resort to them is much to be desired, so long as there is no considerable change in the prevailing system of rewarding labor. The practice of arbitration in adjusting the rate of wages is a natural extension of the sensible principle of avoiding warfare, in courts of law or out of them, as much as possible, by referring controversies to disinterested parties. Disputes between

<sup>1</sup> *Sliding Scales in the Iron Industry*, p. 26.

employer and employee, in regard to an increase or a reduction of wages, are not of a kind which a court can finally be invoked to settle. It is that the point to be avoided is not legal controversy, but the familiar evil of loss of work and stoppage of production.

Experience has shown that, in English-speaking countries, the less legal character is imparted to arbitration the better it is. The English law has provided for a long time opportunities for legalized arbitration, but these statutes have remained a dead letter through the unwillingness of the parties interested to take advantage of them. On the contrary, the notable successes of arbitration, as in the manufactured-iron trade of England, have been won where not only was resort to this expedient entirely free for both parties, but they were also perfectly at liberty to accept or to repudiate the award made. In this country the tendency in the States establishing boards of arbitration is to authorize them to tender their services in case of labor difficulties, without waiting for an invitation: otherwise their office would probably remain too much a sinecure. In practice, it has been found that the great majority of disputes have been settled by conciliation, without resort to the more formal process of arbitration. The disinterested advice of a third party, after a full understanding of the difficulty has been reached, has usually recommended itself to the Anglo-Saxon sense of "fair play" of both the disputants. Thus Mr. Price informs us that "in the manufactured-iron trade of the north of England, during the seventeen years' existence of the board of conciliation and arbitration, the Standing Committee had, up to the 1st of March, 1886, held 276 meetings, and adjusted nearly 800 disputes; while the board itself had met only 97



times, and in some 17 cases alone had reference been made to arbitration.”<sup>1</sup>

In France and Belgium, where the institution of the *conseils des prud’hommes* prevails, and arbitration is both legalized and compulsory, about 70 per cent. of the many thousand cases submitted each year are at once determined by the *bureau particulier*. This *bureau* consists, in each town, of one master and one workman belonging to the particular industries covered by the law; they sit each day for two hours, and “invite” the disputing parties to come before them and “explain” their differences; they thus represent the principle of conciliation. If the contending parties do not accept the decision of the *bureau particulier*, they are summoned more formally before the larger *bureau général*, which disposes of the case without appeal.<sup>2</sup>

The basis of the award in the arbitration of disputes concerning wages is, primarily, the selling price of the product of the industry, as it is under the sliding scale. Professor Jevons, a friendly critic, inferred that the success of arbitration and conciliation has been greatest “where there is a multiplicity of rates of wages and prices of work, and all kinds of technical details to be settled. In the hosiery trades, for instance, this is conspicuously the case, the lists of prices and rates extending to thousands of items. . . . In many other trades the details are more numerous and perplexing than easily appears to an outsider. . . . Much less success has so far attended the practice of arbitration

<sup>1</sup> *Industrial Peace*, p. 37.

<sup>2</sup> See W. S. Jevons’s admirable little work on *The State in Relation to Labor*, pp. 158–160, and the French manual named by him, the *Code Pratique des Prud’hommes*, par Th. Sarrazin.

in the great branches of mining industry and metallurgy.”<sup>1</sup>

Arbitration, it is evident, is essentially different from such modifications of the wages system as “progressive wages,” or the sliding scale. These are improvements in the nature of the system, as applied to certain industries, and these industries are henceforth carried on under the improved method. But the resort to arbitration is a confession that the wages system does not adjust itself easily to the ups and downs of the general market, and that the intervention of a third party is necessary to prevent a strike or a lock-out. Arbitration is infinitely preferable to industrial war, with all its waste of human effort and excitement of class hatreds. But it is essentially a makeshift, as a truce between two hostile armies is a makeshift. Out of it may come the better understanding between the workman and the employer which must be the basis of any future readjustment of their relations; but arbitration contains in itself no logical principle to determine what that readjustment shall be. The strike or the lockout, actual or threatened, is the plain symptom of disease in the industrial body, a sign that it is not in harmony with its present environment. Arbitration, applied to the part where inflammation is most violent, is an excellent poultice, but a poor regimen. The malady, expelled from the surface in one place, soon breaks out elsewhere. Until some searching remedy shall restore health, arbitration cannot be

<sup>1</sup> *The State in Relation to Labor*, pp. 156, 157. The ablest discussion of the system of arbitration is contained in Mr. J. D. Weeks's Report on its Practical Operation in England (1879), and another report on the experience of New York, Ohio, and Pennsylvania, in the Twelfth Report of the Mass. Bureau of Statistics of Labor. Mr. Henry Crompton's *Essay on Industrial Conciliation* should be consulted also.

recommended too earnestly, or be tried too patiently. But to rest upon it as a final solution would be a confession of impotence, which modern civilization can scarcely make, and retain its self-respect.

#### INTEREST IN THE BUSINESS.

The commonest reproach against hired labor, which sums up nearly all the deficiencies charged against it, is that the workman shows little or no *interest* in his work. The employer indignantly contrasts the laziness, wastefulness, carelessness, and general inefficiency of his men with the zeal and pains which he himself lavishes on his business, and which in many cases he had previously shown when working with his hands on his own account. While we make no excuses for indolence or inefficiency, we have yet to take account of human nature as it is. So taking account, we must acknowledge that the wages system, viewed in its simplest form of time wages, does not supply the necessary motives for the workman to do his best. The employer may protest that it affords every reasonable incentive, and that its regularity of payment compensates for all other disadvantages. Dealing with a world of facts, however, where "is" and not "should be" is the first matter of importance to ascertain, we find that the deficiency of the daily-wage system as a motive power to procure the desirable maximum of effort and performance is extreme.

Recurring to the modifications of the wages system which we have been considering in this chapter, — piece work, quality prizes, percentage on sales, economy prizes, and the sliding scale, — we see that they have this one feature in common, the offer to the employee of the prospect of a variable reward likely to increase

his usual fixed wages. This extra recompense depends upon his increasing the quantity, or improving the quality, or economizing in the processes, of his work, if he is a toiler with his hands. If he is an employee whose business it is to sell the product, the additional gain is made dependent upon his commercial ability. But when the employee's efforts are not a main factor in increasing the demand for the product, which depends upon other considerations, the sliding scale recognizes expressly, as arbitration recognizes implicitly, that in justice the workman should have an interest in the good fortune of the employer. If the latter is making money, as he generally does when prices are high, then some part of the profit should fall to the workman in the shape of an increase in his wages. If the employer is losing money, or failing to make his usual and reasonable profit, as is commonly the case in a steadily falling market, then a portion of the loss should come upon the employee; it being always remembered that he is exempted, by the very nature of the wages agreement, from many of the risks of loss, and only when losses become great should he be called upon to suffer a considerable reduction of his fixed return.

The principle, thus recognized in the sliding scale and in arbitration and conciliation generally, is the principle of partnership in profits. The calculation, indeed, is not made upon the profits realized by the proprietor of the coal mine, for instance, but upon the selling price of coal at the pit-mouth, or some other determined place. In the Pennsylvania sliding scale, it was provided substantially that for every three cents' rise in the selling price of coal per ton above the standard price at Port Carbon, one cent should be

added to the standard wage. The theory of a division of profits did not receive avowed recognition; but it was a practical partnership in profits and losses within defined limits, which the sliding scale brought about in the Schuylkill coal region. In the four other modifications of the wages system which we have considered, the proposition of the employer to his employee is virtually this: "If you will exert yourself in some such degree as you would when working on your own account, or as I should in your place, with my present interest in the success of the business, you shall have at least a part of the reward that falls to the man working on his own account. Increase the quantity of your product, and you shall be paid in strict proportion to what you do yourself, not according to a dead average. Improve the quality of your work, and so far as the improvement is measurable you shall receive an extra recompense beyond your usual wages. Be careful to save the raw material and the fuel, and to spare the tools and machinery, and you shall not fail of your reward. If you are a salesman I will guarantee you a fixed salary, and will pay you, beside, a percentage on all the sales, or all above an agreed amount, that you effect." The practical working of these measures is, then, an approximation to an industrial partnership, in the general sense of that term. They aim at arousing and fostering the feeling to which the day-wages system does the least justice, the feeling of partnership. The day-laborer, if he works with a moderate degree of industry and efficiency, retains his place and receives the usual wage. But he has no inducement *from the system itself* to be laborious overmuch, or to be careful and economical. He has no reason to feel himself interested in his employer's prosperity,



beyond the general fact that this will secure him work. Appeals to his sense of honor or to his ambition usually fall flat, if their object be to induce him to do more than average work for only average wages.

The methods in question have brought to bear the more urgent motive of personal self-interest, an interest rendered identical with that of the employer. Their usual effect has been not only to increase the product or the profits of the firm, but also to induce friendly relations between master and man. A study of product sharing, and the metayer system in particular, naturally leads one to ask if it is not possible to improve upon these modifications of the wages system — piece wages, quality prizes, percentage on sales, economy prizes, and the sliding scale — by introducing some method which shall naturally bring about a closer union of interests and a better feeling than any one of these systems has wrought. May there not, at least, be another method entitled to take an honorable place beside these already approved systems, if it does not show itself competent to displace any one of them? Is not a further step in approximation to a practical partnership of employer and employee not only desirable (for all would admit this much), but also feasible? I now invite the reader's attention to the answer to these deeply important questions that was supplied by the long experience of a noted Frenchman who rose from poverty to fortune, and whose great achievement was the thorough working out, in his own business, of this problem of the partnership of employer and employee.

## CHAPTER III.

### THE FATHER OF PROFIT SHARING, AND HIS HOUSE.

#### I. THE BUILDING OF THE HOUSE.

THE principle of participation in profits was recognized by Turgot in 1775, but profit sharing was first practised systematically by M. Leclaire, a Parisian house-painter and decorator. Beginning to admit his workmen to participation in the profits of his business in 1842, he continued the system, with modifications and developments, until his death in 1872. His financial success was signal. It was not due to mere good fortune. Leclaire was a man of high business capacity, who fought his way up from the ranks to become one of the noted "captains" of French industry. His executive ability was equal to his warm philanthropy. The story of his career shows him to have been a true hero of industry, a man of genius indeed, worthy to rank, in his sphere, with the best and greatest of his time. "Drum-and-trumpet history" passes over such characters to dwell minutely on trivial politics, but in the development of society the work of men like Leclaire is of more import than the crimes and follies of many a king.

The *Maison Leclaire* has been the standard example of a feasible method of reconciling the interests of employer and employee for the last forty years. M. Louis Blanc brought it before the French public in the fourth edition of his work on the "Organization

of Labor," in 1845. It attracted the attention of John Stuart Mill; and few English treatises on political economy since the appearance of Mill's work have failed at least to allude to M. Leclaire's success, while writers like W. T. Thornton and Sedley Taylor have described his methods in considerable detail. The purpose of this work demands a full exposition of these methods; and I hope in some degree to overcome the triteness of the subject by tracing the development of the *Maison Leclaire* in close connection with the circumstances of its founder's life.

The life story of the father of profit sharing possesses the elements of interest which the career of self-made men always exhibits; but beyond these it has the unusual attraction that it deals with a high-minded and noble-hearted man who was not at all satisfied with his own good fortune, but pressed on to make his fellow-workmen partners in his prosperity. The selfishness with which many self-made men are content to enjoy their undivided gains, and the extreme satisfaction with which they are too apt to worship their maker, contrast strongly with the nobler qualities displayed in their earlier life. From such selfishness and such self-adoration Leclaire was free; his first struggles to establish himself in the world were no more earnest than his later devotion to the welfare of his fellows. To the practical talent of the man who has made his own way he joined the humane spirit of a true lover of his kind. His life is thus free from the anti-climax exhibited in the career of many great industrialists whose beginnings are noble, but whose endings are too often niggardly.

Edme-Jean Leclaire was the son of a poor shoemaker in Aisy-sur-Armançon, a little village situated

in the district of Tonnerre, department of the Yonne, about one hundred miles southeast of Paris.<sup>1</sup> Here Leclaire was born on the 24th day of the month Floréal, year IX. (according to the flowery and patriotic calendar of the French Republic), i. e. the 14th day of May, 1801. He left the primary school at ten years of age, with a very elementary knowledge of reading and writing. A lively and somewhat passionate child, he was sent into the fields to tend swine, sheep, and cows. From twelve to seventeen he worked on a farm, or as a mason's apprentice, fighting on occasion. But one day, as he saw some harvesters mounting the coach running from Auxerre to Paris, it occurred to him that he would go with them and try his fortune in the great city. Arrived there, without money or friends, he became, by pure chance, apprentice to a house-painter. He received, for wages, a bit of bread in the morning, and two sous to pay for two meals during the day, with supper and lodging at his master's. He was harshly treated and suffered much, but never dreamed of complaining. He worked diligently, conducted himself well, and was rewarded with a franc every fortnight. He also received for the first year a gratuity of 100 francs, for the second 200 francs, and for the third 300 francs, as well as board

<sup>1</sup> The one authority for the life of Leclaire is the *Biographie d'un Homme Utile, Leclaire, Peintre en Bâtimens*, by M. Charles Robert (Paris, Sandoz et Fischbacher, 1878). Upon this work are founded *Leclaire, a Lecture* by W. H. Hall, published in pamphlet form by the Central Coöperative Board, Manchester, England (1880); *A Brief Sketch of the Maison Leclaire and its Founder*, by Mary H. Hart, another pamphlet, issued from the office of the Decorative Coöperators' Association, 405 Oxford St., London, 1882; and Sedley Taylor's paper on "Profit Sharing in the Maison Leclaire," in the *Nineteenth Century* for September, 1880, reprinted as Essay I. in his *Profit-Sharing*, 1884, London.

and lodging. Already an overseer, he now boldly demands three francs and a half per day for the future, without board. His master, unwilling to lose so good a workman, grants the increased pay, and from it in one year Leclaire saves 600 francs in order to free himself from the risk of being drawn for military service. Conscious of great natural ability, he endeavors to supply the defects in his education, borrowing books from his master, buying others, and taking lessons.

At twenty-two Leclaire married an excellent woman, who shared all his ambitions and made him a delightful home which lacked only children. He soon became a decorator, his wages rising to six and then to eight francs a day. Twenty-six years old, he knew his business thoroughly, and courageously set up for himself in a modest shop, No. 15 Rue Cassette. The rent was three hundred francs, and his whole capital did not amount to a thousand. But his energy and capacity were extraordinary. "Whoever worked on the ladder near him was electrified by his zeal. Alert and adroit, he astonished his fellows by many a bold feat, mastered them, obliged them to imitate him, lost not a minute, and hardly took time to eat the frugal meal which Madame Leclaire brought him in a little basket." Such daring industry took a bond of fate, and compelled success. In 1829 he ventured to contract to paint seven new houses, the work being paid for on account, under a forfeit of 20,000 francs. His friends thought him mad, but he began operations by offering his workmen five francs instead of the usual four, and, working with them, inspired all with his own ardor. The undertaking was finished within the specified time, and Leclaire cleared 6,000 francs. It



was his first great victory, "my finest stroke of business, comparatively," he wrote in his old age.

The excellent work of Leclaire's men drew the attention of several architects who became interested in him, and the scale of his operations soon enlarged. In 1834 he rented a larger shop on the same street, and he soon counted among his patrons the Bank of France and several railroad companies. He stood in the front rank of his trade, employing from 60 to 80 workmen, noted for their skill and their temperate habits. He took pains to keep them in work during the winter season, without profit to himself. When wages were low, he made advances to his men, to be repaid when work was more plentiful. Such was his personal influence that workmen who left his shop, because the discipline was too severe, came back of their own accord, after suffering from drunkenness and freedom. The employees were always ready to work on Sundays, when necessary, and never thought of worshipping "Saint Monday" in idleness.<sup>1</sup>

In 1838 Leclaire induced his workmen to establish a Mutual Aid Society. It was supported by monthly subscriptions, and procured for its members, when disabled, the attendance of a doctor and necessary medicines. The life of this society was limited to fifteen years, at the end of which term the accumulated funds were to be divided among the members. It accordingly expired in 1853, but was renewed under the same conditions. The great modifications which it afterward underwent will be related in their due place. Leclaire found it "a powerful means of

<sup>1</sup> See M. H. A. Frégier's work, *Des classes dangereuses de la population dans les grandes villes*, written in 1838, for a description of Leclaire at this time (tome i. pp. 301).

moralization and a living course in public law." Having thus provided for the care of the sick, he turned his attention to a more difficult problem. The hard lot of the older hands, when a business is sold, had, from an early day, excited his compassion. They were generally dismissed by the new master, from obvious self-interest, in case they seemed unable to perform full work. "A dismissal of this kind gives a terrible blow to the workman. From this fatal day the sad conviction is forced upon him, that, go where he may in search of employment, the conclusion will immediately be drawn from his face and bearing that he is too old to do good work." Leclaire's generous heart could not bear the thought that the employees, whose labor had contributed to the fortune which would ensure him a happy old age, should suffer from poverty when old and feeble. He knew that workmen, almost always having children to bring up or infirm parents to support, could not be expected, as a rule, to make provision for the future. "I thought then," so he wrote in 1865, "that I could not enjoy complete happiness when, on the day of retiring from business, I thought of the lot to befall those steady workmen who had remained attached to me ;" and the thought was the more urgent as his business developed, and became too large for one man to direct under the usual methods. A long sickness at this period further exercised Leclaire's mind with anxiety as to the fate of his house and his men should he die without having made provision for a successor.

Moreover, the ideas so congenial to the mind of the French working classes, Equality and Fraternity, were not, to Leclaire, consistent with the actual industrial system. He felt deeply that the lot of the work-

men was not what it might well be did the masters pay due attention to plans for the improvement of their condition. "To know the workman," he wrote in 1865, "one must have been a workman himself, and above all *remember it*: as for many, from the day they are no longer workmen, they believe themselves made of quite other dough than their old companions in the workshop." Leclaire was one of the few masters who retain a vivid memory of their life as common workmen. Though he rejected the name of philanthropist, and wished to be considered as simply a business man, all of whose projects were conceived with a single eye to his own interest, he was a sincere lover of his kind. His charity began very wisely at home, in schemes for improving the lot of the craft to which he belonged, the condition and needs of which he knew thoroughly. The revolution of 1830 had made familiar to him such wise formulas of republicanism as these two, the first by Olinde Rodrigues, the second by F. Arago: "To each one according to his capacity; to each capacity according to its works;" "In the near future we must increase the welfare of the laboring classes, not by impoverishing the rich, but by enriching the poor."

Let us listen to Leclaire's own account of himself at this busy time: "These prophecies, these formulas, these definitions, and all the consequences drawn from them, led me to multitudinous reflections. . . . I read with avidity every writing that treated economic and social questions, hoping to find somewhere practical methods of organization to relieve me from my difficulties. I was in this state of mind when M. Frégier, while he was composing his work *Des classes dangereuses*, came to see me, to procure information

as to the habits of the painters in my employ. His visits were frequent, and our conversations always returned to the important question of the relations of the workman and the master. To all my expositions of the great difficulty in doing away with the existing antagonism, M. Frégier answered that he saw no solution of all this except in *the participation of the workman in the profits of the master*. This was in 1835. My head was too thoroughly crammed with all the ideas of the economists and reformers of the time to relish this proposition. It appeared to me entirely impracticable. I rejected it emphatically. I was the less able to comprehend it as M. Frégier gave it forth without any hint as to the manner of applying it.<sup>1</sup> But while I continued to be embarrassed by the difficulty of meeting all the orders for work as they came in, M. Frégier's idea had taken root. I perceived all at once<sup>2</sup> that in applying it I might serve my own interests, and be of use to the workmen and employees<sup>3</sup> who were attached to my fortunes. I set myself to work resolutely, then, in this field, the participation of the workman in the profits of the master.

<sup>1</sup> M. Frégier was chief of a government bureau: his work was published in 1840. How little faith he himself had in his chance utterance, — for it was scarcely more than this, — the curious may learn from the utter contempt with which he treated the plan of participation only five years after his conversations with Leclaire. "Such an association would be no more solid than a cloud: it would have neither body nor soul" (*tome i. p. 336 seq.*). In this matter M. Frégier was the theorist and Leclaire the practical organizer, whose first skepticism was removed by experience.

<sup>2</sup> In 1840, five years later.

<sup>3</sup> The French word *employé* signifies a grade above the workman (*ouvrier*): it includes clerks, bookkeepers, overseers, etc. In this volume I use the word "employee" to cover both *ouvriers* and *employés*: where there is need of distinguishing the two classes, "workmen" and "employees" are used.

Without suspecting it, I was prepared for this: I had already a nucleus (*noyau*) of good workmen bound together by a mutual benefit society which I had founded in 1838. In 1835 I had not comprehended the idea, and it was only through cudgelling my brains (*me frapper le front*) that in 1842 the thing appeared to me possible, and one of the simplest to put into practice."

This is the most noteworthy passage in Leclaire's numerous writings, and it cannot be read too carefully by those who would form a just conception of the way in which profit sharing actually originated in the *Maison Leclaire*. M. Frégier, who dropped the fruitful germ of the scheme in talk with the successful *entrepreneur* in 1835, could see only more and more objections to it as he considered the matter, and doubtless all these objections came home to Leclaire, either in further conversation or in his own meditation. There is scarcely an argument offered to-day against participation which M. Frégier did not suggest in 1840. That Leclaire, after reading the work in question, went on to organize profit sharing in his business, shows the difference between his genius and the talent of the highly respectable government official. It was a favorite phrase of the thoughtful painter, *se frapper le front*: it implies a slow understanding, but the process was a fruitful one in such a mind. The vivacious M. Frégier quickly anticipated all the common objections to profit sharing, and then, following the advice of Shakespeare's clown, cudgelled his brains no more about it.

A very different education in the school of hard work had taught Leclaire more patience in reasoning; he refused to give up the problem unsolved. "His



brains still beating" on the vexed matter, light suddenly broke upon him. An inspiration of genius showed him all at once how partial his previous argument had been. The main objections to participation were based upon the supposition that under it the quantity of labor would not be increased, or its quality improved, in such a degree as at least to counterbalance the share of profits set aside for the workman. But what if this supposition were without foundation? What if the new plan would "*create* by the common effort, in view of the division of profit, and with the energy this provokes," an increased return, sufficient not only to pay the workman's dividend, but even to enlarge that of the master? This was evidently a question to be satisfactorily answered only by trial, and Leclaire had sufficient courage of his convictions to make the experiment. This was his calculation: "All the trades the profits of which depend on day labor may vary a great deal. When we work on a large scale, the results of this variation are considerable. Can a workman in our industry, by his activity, his willingness, and a more intelligent employment of his time, produce in the same length of time (one day) an increase of labor equivalent to one hour, *i. e.* to 60 centimes, which is the present price by the hour? Can he, besides, save 25 centimes in a day by avoiding waste of the materials intrusted to him, and by bestowing care on the preservation of the tools? All answer in the affirmative. If, then, a single workman can produce this result, realizing for the manager 85 centimes a day, which will amount in 300 days' labor to 255 francs, and if we suppose that the average number of workmen employed by the firm is 300, we have an annual saving of 76,500 francs."

Fortified by such reasoning as this, Leclaire proceeded, to clear the ground for his experiment by a highly characteristic stroke. At this time frauds were numerous in the painting business, and the shrewd Frenchman realized that his workmen and himself would be accused of establishing participation in order to increase their illegitimate gains. Without the least reserve, therefore, he exposed, in several pamphlets, the secrets of the trade, in painting, gilding, tinting, and glazing, and revealed to all interested the mystery of a hundred ways for getting high pay for bad work, when one had secured a contract at a ridiculously low figure. Thus he "compelled people to be honest." He judged it essential to his undertaking that the most complete fairness should be observed in every dealing with the patrons of his house.

Leclaire did not find all his workmen ready to second his scheme when he first proposed it. From the beginning he had given presents and extra pay to the most zealous workmen, and in January, 1839, he announced a general increase of wages: the overseers were to receive 50 or 100 centimes more per day, and the men who had been in the shop two years 25 centimes. In June, 1840, he assembled his best workmen, to the number of eighty or ninety, having first obtained legal permission, and explained to them his profit sharing project; and on the 10th of August he issued a circular asking for their loyal assistance in carrying out the plan. It is indispensable, he tells them, that the master's authority continue undiminished. "Let no one imagine that when we have this association, every one will be free to do what seems good to him. No, gentlemen, it cannot be so at any time. Regulations will fix the rights and the duties of each person. . . .

I am the master of my business, and I desire to dispose it (or to *speculate*, if you will) in such a manner that the speculation shall profit the greatest number possible."

"This proposition," Leclaire wrote in 1848, "was not relished as I had room to expect: the men's minds were not ready for it; it was too soon." But he continued to educate his workmen up to the end he had in view. In February, 1841, he reduced the hours of labor from eleven to ten, and throughout the year he was diligently completing the necessary changes in the administration of his business. After these two or three years of preparation, Leclaire finally issued "A Word to our Workmen" on the 15th of February, 1842, which definitely pledged him to divide the profits of his business with them. "I am not forming an association: I do not know whether the law would permit that. The entire plan is to distribute among a certain number of my workmen, who will be wise enough to deserve this advantage, a part of the profits produced by labor. The rules of the house must be strictly observed, and there must be mutual confidence; what I have done in the past should give you assurance of the future. . . . I am glad to believe that you understand that the matter is important, and that its success depends upon the prudence with which I put it into execution." Twenty-one articles follow, entitled "Rules of administration and of division of profits produced by labor among the employees and workmen composing the *noyau* of the Maison Leclaire, in force from the 1st of January, 1842."

The headquarters of the business were now at No. 11 Rue St. Georges, where they have continued to be to the present day. Leclaire had fitted up a hall in

another warehouse (Rue Cardinet), for assemblies of his workmen. A few days after the 15th of February he asked permission from the police authorities to hold a meeting in this hall in order to explain the above regulations, but the request was refused. Leclaire, therefore, could only issue another circular, in which he repeated his plan ; but he added that, if the inventory for 1842 (to be drawn up the last of January, 1843) did not show higher profits than those of the preceding years, the extra pay granted since 1839 would be discontinued, as well as the other benefits promised. While the majority of the workmen had full confidence in their master's good faith, a minority was still suspicious. The "Atelier" newspaper accused Leclaire of manœuvring to lower wages, and most people doubted the probability of any dividend. Leclaire, who understood his men, answered these suspicions with a theatrical stroke (*coup de théâtre*). On the 12th of February, 1843, he assembled the forty-four painters who were entitled to share the profits, and threw down upon the table before them a bag of coin containing 12,266 francs. Opening it, he distributed to each his share, which averaged more than \$50 per man. It was a scene for a historical painter. The most incredulous could not resist such an object-lesson. All hesitation disappeared : the men returned to their brushes with entire confidence, eager to do their full part.

Such was the result of the first year's trial. It had taken place under some unfavorable circumstances, despite the pains with which Leclaire paved the way. The experiment made but little noise in the world, largely on account of the attitude of the police, who continued to refuse permission for workmen to assem-

ble in larger numbers than twenty. Leclaire returned to the attack in September, 1843, asking permission this time to collect the *noyau* of his establishment four or five times a year, in order to discuss with them the duties laid upon them by the new scheme, which he proposed to continue, "the results of my organization having fully met my expectations." Notwithstanding his detailed explanation of his intentions, the police commissioner of his "quarter" expressly forbade the desired assemblies under any pretext. The authorities justified themselves by appealing to a law passed under the French Republic which prohibited workmen from making engagements for more than one year. Its object was to protect them against oppression by their masters. M. Robert may well say that "the legislator of the year XI. would doubtless have been extremely astonished could he have foreseen the use which would be made of his law in 1843." The timid officials were simply grasping at the first pretext for preventing assemblages of workmen which might possibly be in any way dangerous to the monarchy. The interference of the authorities did not, however, check Leclaire's efforts. For the year 1843 the profits divided were more than half as large again as for 1842, the number of participants having risen to eighty-two. The following table gives the results for the first six years of the experiment: <sup>1</sup>

Year.	Number of Participants.	Sum divided.
1842	44	12,266 francs.
1843	82	19,714 $\frac{3}{4}$ "
1844	80	20,060 "
1845	90	19,404 $\frac{3}{4}$ "
1846	92	20,388 $\frac{3}{8}$ "
1847	98	20,754 $\frac{1}{4}$ "

Total dividend, 112,588 $\frac{3}{20}$  francs.

<sup>1</sup> These figures are taken from Leclaire's electoral address in 1848.



For the first six years, then, the average amount divided among the members of the *noyau*, as a dividend on the wages earned during the year, was 18,765 francs, about \$3,753. The sums received by the workmen varied according to the amount of their yearly wages. The average per man for the first year was 279 francs, or \$56; for the next five years, in which the average number of participants was twice as large, the average bonus was 227 francs, or \$45.<sup>1</sup> Leclaire may comment on this showing: "When, in 1842, I began to allow the workman a share in the profits of the employer, everybody had his say, everybody criticised and declared that it was not possible, that I should no longer be master in my own shop, that I should ruin myself, etc. Well! they were mistaken."

We may well turn aside here in order to describe an achievement of the head of the Maison Leclaire for which the new system of participation gave him opportunity. From 1844 to 1850 he withdrew a large part of his attention from his painting business while occupying himself with the manufacture of white of zinc. If his business had been conducted on the ordinary wages system, he declared, he could not have done this without losing his custom, and compromising his interests in a high degree: the hearty coöperation of his men in the new system saved him from these dangers. Leclaire was endeavoring to find a substitute in painting for that active poison, white of lead. The evil effects of its employment are well known. In the Mutual Aid Society of the Maison Leclaire, out of 63 members who were sick between 1838 and 1844, 19, or 30 per cent., had lead colic; some factories of

<sup>1</sup> Five francs are taken as the equivalent of the American dollar throughout this work.

white of lead had been abandoned by the workmen, who wrote on the doors, *abattoir* (slaughter-house).

It occurred to Leclaire that, as prevention is better than cure, the thing to do was to find a harmless substitute for the poison. But the search would require a knowledge of industrial chemistry, of which he was entirely ignorant. Leclaire determined, therefore, to become a chemist; he took lessons, but soon found that it would require too much time to master the science. He begged his teacher to put at his disposition all known white substances. These he tried one after the other, but oxide of zinc alone appeared to be suitable. Learning that others had preceded him in these researches, he read their reports, and repeated their experiments. The famous chemist M. Chevreul assisted him, and at length, in 1844, Leclaire's obstinacy prevailed. One day he discovered a practical method of utilizing white of zinc, so that it could be manufactured at the same expense, and be made to dry as quickly, as white of lead. He introduced it at once into his establishment, and banished white of lead with its attendant diseases.

The junior partner of the Maison Leclaire, M. Marquot, assured Mr. Sedley Taylor in 1880 that white of zinc, now exclusively used by the house, is perfectly innocuous, and that work executed with it is both fresher and more durable than work done with the poisonous white of lead. M. Robert estimated in 1878 that the amount of the new material used in painting in Paris was about three-fourths as much as of the old. Leclaire, immediately after his discovery, bought or rented zinc mines, and in 1846 set up a large manufactory. Forty-six of the principal architects of Paris certified the value of the new base, and between 1848

and 1850 Leclaire received a gold medal from the Society for the Encouragement of National Industry, a Monthyon prize from the Institute, and from the government the cross of the Legion of Honor, in recognition of his discovery, which is not the least of his titles to honorable remembrance on the roll of practical philanthropists.

In 1848 his friends prevailed upon Leclaire, who generally shunned publicity, to present himself as a candidate for a seat in the National Constituent Assembly. They brought him forward as the one man who had accomplished something toward that organization of labor of which theorists talked so volubly. His electoral address gave the results of his trial of participation of profits in detail: "This is what we can do without touching any one's property; this is what I have practised for six years; I have found my profit in it, and others also." Leclaire's defeat at the polls was probably the best thing that could have happened, both for himself and for the cause he had so much at heart.

Up to 1853, Leclaire had no partner in his business, but in that year, anxious to provide for a successor, he associated with himself M. Alfred Defournaux, the son of an overseer, who had grown up in the house. The same year brought the Mutual Aid Society to the end of its fifteen years' existence. The twenty-nine members divided among themselves, as they had a right to do, the accumulated capital, which gave each of them 546 francs. The society thus disappeared at a time when the older members were needing its aid more than ever before. Leclaire, therefore, soon had the society reconstituted on a new basis for another fifteen years. One of the few mistakes he ever com-

mitted was in thus limiting the term of the new society. At the end of this period the members would be entitled to a division of the funds, although they had themselves contributed nothing; for in February, 1854, the date of the reconstruction of the society, it was announced that no more monthly subscriptions would be required of the members. The entire resources were henceforth to consist of sums to be freely given by the *Maison Leclaire* at its annual stock-taking.

Six years later, *Leclaire* proposed to the members that they should renounce the future division of the funds, and establish instead a system of retiring pensions, in order that his favorite plan of making full provision for his workmen in old age might be realized. But many of the members refused to consent. From 1854 to 1860 a capital had accumulated amounting to some 40,000 francs, and a large part of the workmen preferred the considerable sum which a division would give each one, either in 1869 or even in 1860, to a more distant provision for their old age. But despite the mistake he had committed, *Leclaire* was still master of the situation. The statutes of the society gave him unlimited power of creating new members, and the annual contribution from the firm was entirely dependent upon its freewill. Accordingly, when persuasion failed to make the men see what was for their own interest in the end, he threatened not only to withhold the annual gift, but also to swamp the society with a crowd of new members who would have equal rights in the division with the older men. This small House of Lords had to give way before the royal prerogative! The society yielded, and consented to abolish the time limit and create



retiring pensions. The plainness of speech which Leclaire knew how to employ when advisable, is shown in an address to the society on this occasion. "I felicitate you on your vote, and thank you for the confidence you have in me. . . . Since we have known each other, I have had more than one contention with you. Your ideas have rarely agreed with mine; but I have always understood the reason. It is entirely natural. Each one of you thinks only of himself, but I think of you all. . . . Let us say it out loud, it is only blind egotism which can prefer a miserable division to the retiring pension. Pensions will put an end to the hostility of master and man, and bring about stability and harmony in the shops. If I am to judge by several utterances, you have been preoccupied with the idea that all will be over on the day when death comes to separate me from you. . . . I do not at all share your opinion; my associates are men of heart, who will make it a point of honor to perpetuate a monument which they have helped me to rear."

Leclaire spoke thus emphatically because of the extreme importance of the Mutual Aid Society in the future development of his plans. It was destined to be the very corner-stone of participation in the *Maison Leclaire*. Only two years later, in 1863, it was regularly incorporated, and became a perpetual sleeping partner, with limited liability (*commanditaire*), in the firm of *Leclaire et Compagnie*. Of its accumulated capital, 116,442 francs, 100,000 francs were invested in the firm. On this amount it received 5 per cent. interest. In addition, 20 per cent. of the net profits fell to its share, while 30 per cent. went to the workmen in cash, as a bonus on wages. Such was the development of profit sharing brought about in twenty-



one years in the *Maison Leclaire*. The founder might well describe the situation thus: "The members of the Mutual Aid Society are no longer mere journeymen, who act like machines and quit their work before the clock has sounded its last stroke. All have become partners working on their own account: in virtue of this, nothing in the workshop should be indifferent to them; all should attend to the care of the tools and materials as if they were the special keepers of them. . . If you wish that I should leave this world with a contented heart, you must have realized the dream of my whole life: after a career of orderly conduct and assiduous labor, the workman and his wife must have the wherewithal to live in peace in their old age, without being a burden on any one."

The dream was realized; yet one thing more was needed to satisfy Leclaire's disinterested ambition. He wished to see for himself that the institution he had founded and cherished could walk alone. He had always been anxious to efface himself in his work, and he desired that no one should have reason to attribute to his presence or his personal influence the prosperity of his house, and the success which it really owed to participation. He therefore withdrew from active business in 1865, and retired to the village of Herblay, near Paris, where he owned a little country-house. Settled there, he writes to M. Defournaux: "I beg you, be constantly preoccupied with the necessity of turning me out of the house. Every time that you see me in Paris, say to me, 'What are you doing here? Remain at Herblay, go a-walking, travel! We do not need you; you forget that you are sixty-five years old, that you are enjoying your days of

grace, and that we must absolutely get accustomed in the house to seeing you no more.' ” A few months later, with the same intention, Leclaire resigned the presidency of the Mutual Aid Society in favor of M. Charles Robert, his energetic and devoted disciple, who still holds the position.

Personal reasons had their share in Leclaire's retreat. His wife died in March, 1865, and he could not bring himself to occupy the apartments in Paris where they had so long dwelt together. Madame Leclaire's chamber, by his order, remained closed like a tomb until his own death. “At every meal a cover was laid in her usual place for the dear deceased, always present to his thought, always living in his memory.”

But Leclaire could not be idle. He was soon appointed *maire* of Herblay, and for nearly three years he devoted himself indefatigably to municipal administration. He repaired the church, organized the charities, founded a mutual aid society, promoted primary and infant schools, began a school fund, and established a public library. He *talked* with his fellow-citizens on large placards affixed to the village walls. These *causeries* gave advice on many subjects, — public health, the schools, the care of trees, moral hygiene. A village Franklin, Leclaire obeyed at eve the voice obeyed at prime, putting into effect in his old age the ideas he had sent forth in his pamphlet of 1850 on “Poverty and its Remedies.” The placards invariably ended with these words: “Confidence, patience, courage, perseverance; let us love each other, let us help each other.” The inhabitants of the village, with the melancholy exception of the priest, placed unbounded confidence in him; but they were not pre-

pared for his scheme of applying participation to agriculture, which never got beyond paper.

Meanwhile, the house was prospering. In 1868 the capital of the Mutual Aid Society amounted to 327,295 francs. The time seemed to have come to put the finishing touch to the work. The society had now a permanent legal status. It remained to give the house itself a like stability. Leclaire had conferred with members of several delegations of workmen visiting the Exposition of 1867, and had decided on various improvements in his institution ; but in the interests of the house he wished to obtain the minds of his employees before giving final form to the statutes. A list of questions on twelve principal points involved in the rules to be drawn up was sent to each man to be answered, with full liberty to make further recommendations. Some two hundred responses were sent in ; these were carefully analyzed, and a committee of nine men was called into consultation. The modifications proposed by Leclaire, in agreement with this committee, were adopted by the majority of the employees in a general assembly. The notarial act, which gave the scheme legal form, went into effect on the 6th of January, 1869. The Maison Leclaire henceforth possessed a true charter of associated labor. Postponing an account of its provisions, we continue the story of its author's last years.

The house was now well known at home and abroad. Economists described it in their works, and the journals of the day often spoke of it. But until 1869 Leclaire himself, believing that each new year would add force to his argument, refrained from drawing public attention to his foundation. The *Compte-rendu* of his business for 1865 (one of his most im-

portant writings) he had, however, sent to a large number of persons, having always been desirous of making his work known to men of influence. Many eminent Frenchmen assured him of their admiration for his work: among them were Edouard Laboulaye, Jules Simon, Victor Duruy, Léon Say, Michel Chevalier, Berryer the famous orator, and M. Chevreul the venerable chemist. The employers of labor were not so sympathetic, as a little incident will show. On the fourth day of May, 1867, while a strike was going on, which did not include his workmen, Leclaire appeared at a meeting of eight hundred employers. They did not share his views on the increase of wages, which seemed to him just. The white-haired old man was greeted with a furious clamor. He revenged himself the next day in his own fashion by raising wages to a figure which was adopted in 1873 on the city schedule. The ill-advised persons who had hooted him were soon obliged to grant an increase.

When the Prussian army occupied Herblay in 1870, Leclaire, though suffering from the infirmities of old age, remained there, to aid the inhabitants. The workmen of the house were true to their duty during the siege. On the breaking out of "la Commune," some left Paris and others remained in retirement. Leclaire courageously returned to Paris, resolved, if it should fall, "to be buried under its ruins with his workmen."

Up to this time, only the permanent employees of the house had had a part in the division of profits. But in 1870 a socialist said to Leclaire, with a sneer: "Your house is nothing but a box of little masters who make money (*exploitent*) out of the others." Although the idea of a general participation had been



broached by the founder in 1842, it had never been put into practice. Feeling that the time was now ripe for the full application of his principle, Leclaire procured the passage by the Mutual Aid Society, in 1871, of a resolution admitting to participation in the profits the apprentices and the auxiliary workmen. Henceforth every single day's work entitled even the transient employee to a bonus on the wages earned.

Leclaire's last publication was a pamphlet issued in November, 1871, entitled "Dialogue between an Old Workman and a Citizen on the Association of the Workmen in the Profits of the Master." It was a vigorous summary of his views on capital, labor, and business skill, and their mutual relations. He took part in the annual meeting of his house in 1872, at which he learned that the next division would give 33,750 francs to the society and 67,500 in cash to the employees. For thirty years the day of the division had been the happiest day in the twelve months for Leclaire: his joy was visible to all. His last earthly felicity was to hear, a week before his death, that on the previous day more than six hundred workmen had actually received 50,000 francs as a bonus; that the conduct of all had been exemplary, and that the sums distributed were to be carefully laid by, or wisely spent at once on the homes of the recipients. Leclaire died at Herblay on the 13th of July, 1872, of congestion of the brain, in his seventy-second year. True to his society to the last, he directed that his coffin should be of the same material as was used for a member's, and that the society's hearse should carry him to the grave. He was buried in the cemetery of Montmartre, at Paris, by the side of his wife. In testimony of his gratitude to the architects who had



befriended him, his will established a prize of a thousand francs in the School of Fine Arts; and in memory of Madame Leclaire he endowed two beds in a hospital, in admission to which painters should have the preference. His fortune amounted to 1,200,000 francs. He always declared that he could not have accumulated so much, even by fraudulent means, had it not been for the establishment of participation.

"Those who have known Leclaire," says M. Robert, "will never forget his expansive physiognomy, sometimes lively and cheerful, sometimes grave and reserved. His white locks, his large forehead, his eyes of a clear, sparkling blue, under heavy eyebrows, gave his figure a remarkable character of intelligence and dignity. Stocky, broad-shouldered, and set solidly on his feet with the attitude of the manager who is watching his workmen and inspecting their work, always dressed, after the old style, in a long black coat, this handsome old man, venerable and courteous, spontaneous in his enthusiasm, but always master of himself and of others, left an ineffaceable impression on every one who saw and heard him."

Leclaire was, indeed, one of the great men of his time. His character had the elements of genius, and his achievements were brilliant and permanent. Although for a large part of his life he disclaimed the name of philanthropist, his title was clear. He was a reformer of the high type that is seldom seen; devoted to one idea, he was not narrowed in his humanity by that devotion. Thoroughly sane and sagacious, he took hold of the great problem of the improvement of the lot of the working classes by the near end. He knew his craft and the men who exercised it; he knew their temptations and their difficulties, and when he

became a "manager" he did not put his former sympathies behind him. To the end, he persevered in working out step by step, as experience gave him justification, the ideal of the relationship between master and man which he had formed in his generous mind. He never became a professional reformer, but he realized the wide reach of his thought and the power of his example. He wisely devoted himself to perfecting his one model of an industrial establishment in which the peace and happiness of a true fraternity should reign. So he did a work which neither a Fourier nor a Louis Blanc could pretend to rival. It was no reorganization of society, no revolution in the laboring world, but a true evolution into an industrial system better than the pure wages system.

No sentimentalist, no mere doctrinaire, Leclaire was a man complete in his humanity, and he knew the practical, working value of a realizable ideal. His philanthropy was of the genuine Christian pattern, though the man himself refrained from all dogmatic profession.<sup>1</sup> His last will and testament expressed the creed of his life. "I believe in the God who has written in our hearts the law of duty, the law of progress, the law of sacrifice of one's self for others. I submit myself to his will, I bow before the mysteries of his power and of our destiny. I am the humble disciple of him who has told us to do to others what we would have others do to us, and to love our neigh-

<sup>1</sup> Some one having reported to him, one day, that people were surprised, in reading his publications, to see so little use made of the word "Providence," he smiled, and replied with Gallic *verve*: "They probably conclude, then, that I have more to do with the Devil than with the good God. But, sir, as my affairs prosper, if indeed the Devil favors me more than his Creator, shall I not do well to remain under the patronage of the demon, since he is the stronger?"

bor as ourselves: it is in this sense that I desire to remain a Christian to my last breath."

## II. THE MAISON LECLAIRE TO-DAY.

I now proceed to describe the unique institution which M. Leclaire founded; it has undergone modifications since his death, but only in some minor details. These changes have been improvements in the line of his thought and wishes. The institution now stands forth among men as almost an ideal partnership of employer and employee. It has been the growth of many years; each feature has been carefully tested by experience, and complete success has approved both the system and the methods adopted to carry it into effect.

So fully developed and so admirably equipped for every contingency is this elaborate organization that the effect produced by a study of it may, indeed, be somewhat discouraging to employers of labor who may desire to embody the principle of participation in their own business, but who cannot attempt to copy so complete an institution. But in Profit Sharing, as elsewhere, "the spirit is the main matter." The Maison Leclaire is a model, but its strength has come from a natural and gradual development. The earlier stages of its evolution it would be needless for another business house to pass through, as they were experimental, and the result of the experiments can be appropriated at once. But just as little is the full elaboration, which the system has attained in this foundation, necessary, or even desirable, for all others. The principle of dividing profits is simple and self-commending: the methods of its application are many and various. The Maison Leclaire will show how far the principle can be carried, with time and perseverance.

For many years a private business, conducted in the usual way by Leclaire alone, or in partnership with Alfred Defournaux, the house is now a partnership, having two managing partners and one sleeping partner, the Mutual Aid Society. The whole capital of the firm is 400,000 francs : of this, M. Redouly, the senior partner, holds one fourth part, and M. Marquot, the junior partner, another fourth ; the society holds the remaining half. A reserve fund of 100,000 francs is kept in hand to meet all emergencies ; whenever, from any cause, this sum is diminished, a first levy of ten per cent. is made upon the profits of the year until the fund rises to the above amount.

The partners receive five per cent. interest on their invested capital ; and each of the managers is paid 1,200 francs as salary for superintendence. Interest, salary for management, and the necessary contribution to the reserve fund, if any, having been deducted from the gross profits of the year, the remaining net profit is divided as follows : One quarter part goes to the two managing partners (two thirds of it to the senior, M. Redouly, and one third to the junior, M. Marquot). A second quarter part falls to the society. The remaining half is distributed in cash among all the workmen (*ouvriers*) and others in the employ of the house (*employés*, clerks, bookkeepers, etc.)<sup>1</sup>. This fifty per cent. of the net profits is divided by the whole amount of wages and salaries paid during the year to obtain the ratio of bonus to wages. Each man's earnings are then multiplied by this percentage to find the sum due him. The distribution of profits was gradually extended by Leclaire : only members of the *noyau* at first shared in it, but since 1870 every person working for the house,

<sup>1</sup> Paper-hangers and decorators, however, are on piece work.



whether a permanent workman, an apprentice, or a casual "hand" working only a few hours, is entitled to a bonus on his wages. The principle is rigorously carried out to its last results. On the account for 1881, for example, one may see that workman Dupuy had labored for the house  $4\frac{1}{2}$  hours; on his wages of 3 francs 40 centimes (at the rate of 75 centimes per hour) he was, therefore, entitled to a bonus of 70 centimes, or 14 cents! At the other extreme, among the 1,084 workmen, M. Petitjean, working  $2,750\frac{1}{2}$  hours at 90 centimes per hour, received a bonus of 497 francs 70 centimes, almost a hundred dollars. The ratio of bonus to wages for 1881 was 20 per cent. The 41 *employés* of the house received, as bonus on their salaries, sums ranging from 15 fr. 65 cent. (evidently for a special job) up to 1,005 fr. 50 cent. allotted to M. Valmé, the head *employé*. In making out the total of wages earned during the year, no account is made of extra sums paid for labor at night, on Sundays or on holidays, or for work in the country. The basis is the total of regular wages earned in the usual ten hours' day.

In the following table will be seen the number of participants, the total of wages, the total of bonuses to labor, and the ratio of bonus to annual wages for each year from 1870, in which participation first became general, to 1886.

The ratio of bonus to wages is given true to the nearest whole number. Up to 1886, inclusive, the whole sum paid out of the profits of the house from 1842 was 4,556,142 francs; this sum includes the cash bonuses and the amounts paid to the Mutual Aid Society. The business turnover was in 1872 a little short of 2,000,000 francs; in 1882 it was 3,139,500 francs; and in 1886, 2,650,000 francs.



YEAR.	NUMBER OF PARTICI- PANTS.	TOTAL OF WAGES.	TOTAL OF BONUSES TO LABOR.	RATIO OF BONUS TO ANNUAL WAGES.
		<i>Francs.</i>	<i>Francs.</i>	<i>Per cent.</i>
1870	758	406,414	61,625	14
1871	1038	556,495	67,500	12
1872	976	695,429	88,250	12
1873	633	508,167	64,500	13
1874	827	600,293	79,000	13
1875	1052	696,569	100,000	14
1876	1081	689,575	112,500	16
1877	826	645,500	115,000	18
1878	1032	713,650	130,000	18
1879	1125	877,875	160,000	18
1880	949	972,425	190,000	19
1881	1125	1,068,600	215,000	20
1882	998	1,069,975	240,750	22
1883	838	966,908	225,000	23
1884	824	967,606	230,000	24
1885	710	869,050	182,500	21
1886	716	869,001	182,500	21

The management of the business is in the hands of the two active partners; holding half the capital, they are personally liable for losses to any extent. The Mutual Aid Society, as partner *en commandité*, and having no control over the business, is liable only to the extent of its capital; while the liability of the workmen is confined to their interest in the reserve fund. Such have been the prosperity and good management of the house that this reserve fund, though once or twice divided and then reconstituted on account of changes in the firm, has never yet been drawn upon to pay losses in any year.

The *noyau* — kernel, core, nucleus, or *élite* — of the Maison Leclaire was a feature of the first importance in the development of the establishment. Although some of the privileges once peculiar to its members

have been extended, with the increasing prosperity of the business, to the other workmen, it remains as a powerful factor in the "moralization" of the whole body of employees. Membership in the *noyau* is not conditional on seniority in the service of the house, but on personal merit. The workman who desires to become a member must be a Frenchman, over twenty-five years of age and under forty; must have been in the house five years; must be able to read, write, and cipher; must be a skilled workman, and of good moral character, especially in his domestic relations. The number of members is not limited by any regulation, but the policy of the existing membership (131 in 1887) is to admit only five or six new members a year, to replace those who have died or withdrawn. One important reason for keeping the number low is that all may have steady work through the year. The members of the *noyau*, as permanent workmen, have of course the first claim to employment in times when work is short. But should it be insufficient to occupy the whole body, provision is made that a certain number of the members, beginning with the latest comers, shall quit work for a fortnight, to be succeeded by another section, and so on, until work is plentiful again.

The civil-service reform principle of promotion rules in the *noyau*. Its most capable members are drawn upon to fill vacancies in the body of *employés*, and this body furnishes the new partner on occasion. The *noyau* is the representative of the workmen in all matters of joint administration of the business. It chooses the elective members of the influential Committee of Conciliation. Of this committee the two managing partners are *ex-officio* chairmen; of the other

eight members, five must be workmen or overseers, and three *employés*. The Conciliation Committee takes cognizance of all misconduct on the part of members of the *noyau*, apprentices and classified *employés*, whether the charge affects their work, or their character for temperance and honesty. According to the nature of the offence, it gives advice or warning, suspends the delinquent for three months, or dismisses him altogether from the *noyau*, the Mutual Aid Society, and the house itself. It examines candidates for admission; and when the occasion of choosing a new partner arrives, it nominates a member for the position, to be elected by the assembled *noyau*.

This last important function the committee and the *noyau* have already twice exercised. In 1872, after the death of M. Leclaire, they unanimously chose M. Redouly, the chief *employé* of the house, to be associate partner with M. Defournaux; and in 1875, on M. Defournaux's decease, M. Marquot, who had succeeded M. Redouly in the office, lacked but one vote of all for junior partner. The firm name is now Redouly et Cie. The rules of the house provide that there shall be no obstacle in the way of an *employé* becoming a partner. In case he is not able to furnish the needful 100,000 francs capital, the heirs of the deceased partner are obliged to leave in the firm a sufficient amount to make up this sum: this amount is gradually withdrawn as the new partner is able to replace it from his share of the 25 per cent. of the profits which goes to the partners. To complete the change, in the case of the senior manager not more than three years are necessary, and in the case of the junior manager not more than five, at the present rate of profits. In the selection of the partners, as in the

less important choice of overseers and committees, the *noyau* has uniformly exhibited great good sense. The election each year of the foremen, from a list drawn up by the managers, is its nearest approach to executive functions. The men elected are divided into three classes, with slight differences of wages.

In order to join the Mutual Aid Society, a workman must be already enrolled in the *noyau* under the conditions just named. Besides this, he must be in good health and of sound constitution. The admission fee is 20 francs. The number of members in 1887 was 114. The president, an honorary officer, is chosen by the society at its annual meeting from without the house. Since 1866, M. Charles Robert has filled this place. One of the two vice-presidents and the treasurer must be partners in the business. A second vice-president, two secretaries, and an assistant treasurer are chosen every year from the active members. These officers are reëligible, but the twelve "visitors," who make up the "family council," serve only one year by turns: the reason for this distinction is, obviously, the promotion of fraternal feeling among the members by the enlistment of all, in time, in the personal work of visiting the sick and suffering. The work, moreover, is too important to be devolved upon volunteers for more than a year at a time. The *conseil de famille* is the executive body of the society, admitting new members provisionally, distributing aid, paying pensions and life insurances, and appointing a committee each year to inspect the accounts of the house, in order to make sure that the society receives its due share of profits: the actual inspection is made by the president in the presence of this committee.

In case of sickness, a member of the society is



entitled to medical aid and necessary medicines. He receives for every day he is unable to work, up to six months, two and a half francs. To this the house adds one franc, and a private benefit society a franc and a half; so that the total aid in money is five francs a day. Where the sickness continues for more than six months, special measures have to be taken; but the temper of the society is very generous in such cases, and extra aid is always given to deserving persons. Every member who is fifty years old, and has worked for the house twenty years, is entitled to a retiring pension of 1,200 francs per annum. On drawing his pension he retires from the *noyau*, and after sixty he receives no share of profits. At his death the funeral expenses are paid, a life-insurance policy of 1,000 francs, for the benefit of the family, is honored, and the payment of half the pension is continued to the widow during her life, or to the children as long as there is among them a daughter under twenty-one years or a son under seventeen. A member badly injured while at work, so that he can work no longer, receives the benefit of this provision. Even the workman who is not a member of the society or of the *noyau* receives a pension if disabled while in the service of the house. The generosity with which the society construes its regulations appears in a case noted by Mr. Sedley Taylor at the annual meeting in 1880: "A poor fellow, casually called in for an odd job, who never did a stroke of work for the house before, had met with an accident, which within a few days put an end to his life. The facts of the case, including a medical certificate as to the cause of death, having been briefly put before the meeting by the president of the society, the assembled members, by a unanimous



show of hands, at once voted to the widow for her life a half pension of 500 francs.”<sup>1</sup>

While thus liberal to the deserving workman, the society will not render aid where the sickness results from drunkenness, or where a wound has been received by a painter who takes the offensive in a brawl. If, in either of these cases, the workman is incapacitated for further service, he receives no pension and is dismissed from the society. Any cause which suffices for the discharge of a workman from the house, such as drunkenness or bad work, leads to his dismissal from the society.

The Mutual Aid Society had a total property on the 1st of October, 1887, of 2,053,618 francs, standing third on the list of French benefit societies. In case the *Maison Leclaire* should ever cease to exist, the reserve fund falls to the society, which it is provided shall take the name of the “Retiring Fund for Invalid House-Painters of the Department of the Seine.” Its benefits shall be administered in the same general manner as now, being extended to all painters in the department.

The workman in the *Maison Leclaire* occupies, then, this favorable position financially: 1st. He receives at least as high wages as are generally paid in Paris, and in addition a bonus which has varied between 1870 and 1886 from 12 to 24 per cent. 2d. In case of sickness he gets five francs a day from the Mutual Aid Society and other sources. 3d. If permanently disabled through disease or injury, he comes into a pension of 1,200 francs a year, one half of which is

<sup>1</sup> The amount of the pension has been several times increased: since the 1st of January, 1882, it has been 1,200 francs. The number of pensioners was 63 in 1887.

continued to his children during their minority, or to his widow for life. He is entitled to retire on the same pension when he has been twenty years in the service of the house and is fifty years old. 4th. His sons, if he desires it, will be taken by preference as apprentices; they will receive pay from the first, increasing in proportion to the value of their services.<sup>1</sup> 5th. At his death 1,000 francs, the amount of his life insurance, will be paid to his family, and his funeral expenses defrayed.<sup>2</sup>

Such are the economic advantages enjoyed by a permanent workman in the *Maison Leclaire*, to the most important of which "auxiliary" painters are also admitted. The sagacity of M. Leclaire so constructed his institution that moral benefits of the first order are inextricably interwoven with them. The house is a school of industry, honesty, sobriety, thrift, self-respect, and common kindness. No smoking is allowed in the shops or in outdoor work; intemperance is sternly suppressed. Monday is no day of idleness or debauchery, but is given to full work. Before the introduction of legalized participation, forty per cent. of the workmen kept "blue Monday;" for the last ten years, not more than one per cent. have done so; and in the last six, taken by themselves, there has been no reason for finding fault at all. The house-painters in 1826, when Leclaire set up for himself, were, says M. Marquot, "notoriously the most dilatory, intemper-

<sup>1</sup> Apprentices must be twelve years old and able to read, write, and cipher: they are placed under their father's care as much as possible. Classes for technical instruction are provided for them. When qualified to act as journeymen painters, they can work elsewhere for a time, and a place is reserved for them.

<sup>2</sup> A People's Bank, organized among the painters and glaziers of the house, makes temporary loans without interest.

ate, debauched, and intractable workmen to be found in Paris." Now architects seek out the members of the *noyau* — the Old Guard of the house — because no more industrious, skillful, temperate, and polite workmen can anywhere be found. Partners in the firm through their interest in the Mutual Aid Society, they do not meddle with the executive functions of the managers, and they are indifferent to labor agitations and ambitious schemes for the reconstruction of society. The liberty in which Leclaire firmly indoctrinated them is "liberty to act according to the Golden Rule." They are justly proud of the reputation of their house, and are strict in maintaining it in every respect. The managers, who have risen from the ranks, are their friends, in whom they repose complete confidence. "The following incident," says Mr. Sedley Taylor, "strikingly illustrates the intensity with which this sentiment of solidarity is capable of acting. A workman, dismissed a few years before, for having assailed with abuse one of the managing partners, applied in 1876 for readmission to the *noyau*. The formerly offended partner and his colleague readily consented; but in spite of the efforts made by the latter as chairman of the *comité de conciliation*, the other members of that body, in which representatives of the workmen are in a majority, decided unanimously that the former offender should remain permanently excluded from the *noyau*, on the ground that, having permitted himself to insult a partner of the house, no indulgence ought to be shown him; that the rules must be respected; and that it was better to sacrifice the interest of one man than to compromise the general interest."

As friends of the manager, and fellow-partners in

the business, the Leclair workmen see that whatever is for his interest is for theirs as well. They display therefore, in their work, the good qualities which a direct perception of self-interest always tends to arouse in the natural man. They are punctual in repairing to their labor; they work diligently, economically, and carefully through the day, and, in case of need, they cheerfully continue for extra hours. Here is an example: In 1876, while the buildings of the Paris Exposition were preparing, the painters employed on them struck for higher wages, which the employers had to allow, in the end. The authorities called on M. Redouly, whose workmen had not joined in the strike, to help them out of their difficulty. The Leclair painters accordingly, without increase of wages, worked fourteen hours a day, and two nights in the week, for six weeks. The only comment from the workmen came when they were told that the job was completed: "That is well; we were beginning to be a little tired." For this extra labor the painters received only the usual pay for overwork; it had no effect upon the bonus for the year.

Such a spirit leads the men to keep a vigilant eye on the work done by their fellows. No incompetent workman is likely to remain more than forty-eight hours in the employ of the house. If an overseer, even, is careless, an anonymous letter to the managers calls their attention to the fact, visible in the work done under his supervision, for which he is accountable. The cost and trouble of superintendence are rendered very light; this is a very important saving in view of the fact that companies of workmen are often sent into the provinces, or out of the country, with only a simple overseer in charge, for weeks and months at a



time. When a force of men has finished the job in hand, an employee from the office immediately makes a reckoning of the work and the profit, and the knowledge by the painters that this will be done has a great effect in stimulating their zeal. The workmen receive many compliments from the patrons of the house upon their skill and their polite behavior; but if any one offers them a present, it is accepted only to be turned over at once to the Mutual Aid Society. The house, as may be inferred from Leclaire's early pamphlet exposing the tricks of the trade, does only the most thorough work, and uses only the best material. In this endeavor the men heartily second it. The firm takes very few public contracts, as its methods will not permit it to make very low bids. In the work it accomplishes there is no scamping, and no underhand dealing of any kind.

It goes without saying that the *Maison Leclaire* does not suffer from strikes. There is no inducement for striking, since wages always range as high as in any other Parisian establishment, and are usually higher, and three quarters of the yearly profits, whatever they may be, fall to the men, directly or indirectly. Painters once employed by the house are anxious to remain with it. There is visible throughout the institution an enviable harmony of employer and employee.

Were the verdict on the feasibility and desirability of the system of profit sharing dependent on its results in the *Maison Leclaire*, where it has had its fullest trial, the verdict would not be doubtful. But the experience of one firm in one line of business is, of course, insufficient to demonstrate that the system is generally applicable. Continuing to interrogate experience, we shall find it advisable to classify, under



the head of the industry pursued, the numerous attempts made upon the Continent of Europe to apply the principle of admitting the employee to a share in the profits of business.<sup>1</sup> The estimates of the system formed by the business men who have tried it being an important part of the facts of the case, these will be quoted in full wherever attainable.

<sup>1</sup> There are three instances of the adoption of Leclaire's method by other houses engaged in the same business. M. Lenoir, of Paris, practised on this system from 1870 to 1887: a full account of his experience will be found in Chapter VIII. M. Saunier, of Paris, painter and decorator, employs about 50 men; for their benefit he organized profit sharing on a novel plan, in 1885. After providing for a reserve of 10,000 fr., he allows 20 per cent. of the year's profits for a *general* participation fund. Out of this come aid in sickness, funeral expenses, and assistance to the families of deceased workmen. All the employees enjoy these benefits without distinction or conditions. After these calls have been met, the remainder of the 20 per cent. goes to form pensions for not more than twenty workmen, who share equally in this *special* participation fund. Results in this case have not come to hand. For the Decorators' Co-operative Association, of London, see Chapter VI.

## CHAPTER IV.

### THE PROFIT SHARING SYSTEM ON THE CONTINENT.

#### I. IN THE MANUFACTURE OF PAPER.

NEXT to the Maison Leclaire in order of time and of importance, among European establishments conducted on the principle of profit sharing, stands the Coöperative Paper Works at Angoulême, France, in the department of the Charente. The founder of this great establishment, now employing from nine to ten hundred persons, was M. Edmond Laroche-Joubert. The originality and ability with which he developed this complicated industry entitle him to a place among the most successful industrialists of France. In entire independence of the house-painter Leclaire, this manufacturer in ancient Angoulême built up a large establishment in which the participation of the workman in the profits of business, and the gradual acquirement by the employees of stock in the company, have long been ruling principles, working to satisfactory results. While the Maison Leclaire affords a notable instance of profit sharing in a handicraft in which wages amount to seventy per cent. of the total expense, the *Papeterie Coöperative* shows us the same system applied to a manufacture in which a large capital is demanded, and in which the cost of labor amounts to only one sixth part of the total expense of production. The numerous features in which these two establishments differ in their practical working

out of the same fundamental problem, of the changes needed in the wages system, require a detailed exposition. This I give with the more pleasure since the name and the work of M. Laroche-Joubert have received but very little recognition from economists in our language. But he solved in his business not a few practical difficulties which could not present themselves in the house-painter's craft; and almost as much as M. Leclaire he wins the regard of those who acquaint themselves with what he said and what he did.

Jean Edmond Laroche-Joubert, the son of a manufacturer, was born in the west of France in 1820. At seventeen he began his business career; at twenty he founded the paper-manufacturing firm of Laroche-Joubert, Lacroix et Cie. at Angoulême, a city then as now noted as a centre of this industry: of this firm he was for twenty years the head. He had been, from his boyhood, in living contact with his father's workmen, and was well acquainted with their actual lot. The first decided token of his philanthropic interest in their welfare was given in 1847. Bread being then very dear, he put in operation a scheme, which still continues, for keeping the price, to the lower workpeople, at a moderate figure. Whenever bread cost much more than 30 centimes per kilogramme, the house issued to each deserving employee, without regard to age or sex, who was earning at the least 10 francs and at the highest 60 francs per month, a weekly order on a bakery for five kilogrammes of domestic bread. The workman paid the firm for this order at the rate of 30 centimes per kilogramme, and it was honored on presentation at the Coöperative Bakery in Angoulême, or at any country bakery which sold

bread at its rate. The firm paid the bakers the full price for all bread delivered to its workpeople on these orders, thus keeping at a moderate figure the cost to the laborer of the prime necessity of life.

Such a proceeding as this proves that when M. Laroche-Joubert said of himself much later that, if he had been a philanthropist, it was without knowing it, he did not see himself as others saw him, more than did M. Leclaire. Few economists to-day, however, would be forward to denounce such wise philanthropy as in any way injurious to the interests of business. "The first duty of an employer," said M. Laroche-Joubert, "is to be humane." But humanity is not sentimentality, and he applied himself to improving the wages system in such a way that his men might be their own helpers.

The manufacture of paper by the firm was carried on in a number of shops, each devoted to a particular branch of this business. Piece work was the rule; but in the mills where this system was not practicable, the amount of production was not satisfactory to the chief manager. He determined to introduce prizes on production. The effect was remarkable. In certain shops the product had been from 20,000 to 25,000 kilogrammes per month, and the average monthly earnings of the workman on day wages hardly reached 50 francs. M. Laroche-Joubert promised to increase this amount one franc for each thousand kilogrammes of product over 25,000. A short time only was needed to exhibit the real capacity of the works and of the men. The product, which had been nearly stationary, soon increased from 20,000 to 45,000, or from 25,000 to 55,000 kilogrammes a month: it never again descended to the former maximum. The result

ing increase in wages was over forty per cent. These figures need no comment. They are of themselves a sufficient illustration of the inadequacy of the pure wages system to call forth the energies of the workman in a production satisfactory to the employer.

This compensation was not in the nature of profit sharing: it was an example of the "progressive wages" of M. Leroy-Beaulieu. But the good result led M. Laroche-Joubert to go further, and to introduce actual participation by the workmen in the profits of the establishment. He began with the overseers, and then admitted a number of the older workmen. Wages remained at least as high as they were elsewhere, and this has always been the rule. In order to encourage the employees who were in easy circumstances to become associates in the business, the capital, first fixed at three million francs, was enlarged. The deposits made by the employees towards the acquirement of shares drew about 12 per cent. interest. For the other workmen a savings fund was established, and the following are its present regulations: The depositor must have worked for the firm two years. Any sum is received from 20 francs to 5,000 francs; when it reaches 100 francs, it is entitled to a share in the one per cent. of "general profits" allotted to deposits, in addition to the usual 5 per cent. interest. There is no exposure to loss, as in the case of savings invested in capital stock: on the other hand, the latter receives a higher share of profits and gives a right of ownership in the reserve fund. As a matter of fact, however, there have been no losses to divide, and the reserve fund has stood firm: it amounted in 1888 to 106,930 francs. In 1873 the deposits in sums below 5,000 francs reached 200,000 francs, giving an income



of some ten per cent. The number of depositors in 1882 was 202. The larger deposits are turned into shares in the company; the managers, having reserved the right to reimburse sleeping partners (*commanditaires*), exercise this privilege at regular intervals in favor of their workmen depositors, who always have the preference in the disposal of shares left open. It is the desire of the management that, "in this way the workmen coöperators shall become in time the owners of the whole establishment, thus gradually transformed into a purely coöperative society." How far this transformation had proceeded in 1885 appears from the fact that the amount of capital then belonging to 82 employees was 1,345,000 francs out of a total of 4,500,000 francs; in addition to this, eight former employees held stock to the amount of 310,000 francs. Thus over one third of the capital is now in the hands of employees, past or present.

The means for such investment came largely from the further measures which M. Laroche-Joubert took in the development of his plans, after creating the savings fund. He soon went on to give to all his workmen a share in profits. Owing to the complexity of the business, the scheme adopted was much more elaborate than that followed in the *Maison Leclaire*. I give it as it is in operation to-day, after receiving numerous modifications in detail, which have been almost, if not quite, invariably in favor of the workman. The *Papeterie Coöperative* carries on the manufacture of paper, of all kinds and for all purposes, in a large number of different works. Each one of these establishments has a special set of regulations for the government of profit sharing, adjusted to the branch of the industry which it carries on. There are seven of

these codes, applying to the mills which produce the paper ; to the works where the glazing, finishing, and ruling are done, and the general warehouses ; to the making of envelopes and mourning paper ; to the manufacture of paper-board ; to the works turning out account books and cigarette paper ; to the packing branch ; and to the storehouses in Paris. The workmen in all these divisions of the business receive a determined share in the *special* profits of their respective branches.

To give a detailed example : In the mills making paper, the participation in profits takes place as follows : From the value of the annual product turned over to the other branches and reckoned at the current price, there are deducted rents, taxes, insurance, wages, 5 per cent. interest on the capital, and any other expenses incurred. Of the profit then left, 10 per cent. goes to wages, to be divided on the basis of each man's earnings (he must have been employed for a year at least, and be fifteen years old) ; another 10 per cent. falls to the overseers (*chefs de service*) in proportions determined by the general managers, and 5 per cent. to the superior employees. The remaining 75 per cent. is turned into the *general* profits of the society. In this branch of the works piece wages are not practicable, and a system of prizes based on quality and quantity of work (*gratifications*) supplements the ordinary wages. In the Lescalier mill, for instance, each workman receives, beside his fixed wages, 20 centimes for every thousand francs' worth of paper made, up to 50,000 francs ; above this amount, one franc for every thousand. The prizes earned are added to each man's wages, to determine the basis on which his share of the net profits is reckoned.

In the glazing, finishing, and ruling department, 20 per cent. of the profit goes to the wage-earners, another 20 per cent. to the overseers, and 10 per cent. to the superior employees. The envelope and account-book divisions observe the same proportion. In the packing department wages obtain 35 per cent. of the net profits, and 25 per cent. falls to the chief packers and the principal workmen. In the Paris warehouse wages receive 10 per cent., the managers and the lower employees 30 per cent., and the superior employees 10 per cent. All these percentages are apportioned on the same general principles as in the case of the paper mills, and the remaining profits go to the society.

The *general* profits are divided according to the following rules: After the President of the Board of Managers and the five active managers have received their fixed salaries, and 5 per cent. interest has been paid on *capital* (a reserve fund of 106,930 francs has been accumulated), each of the six directors takes 5 per cent. of the remaining profits; 10 per cent. goes to the superior employees, and 12 per cent. to the customers of the house. The remainder falls, so much to the franc, to capital, the participating depositors, and the wage-earners of the whole active *personnel* not admitted to a share in the special profits of any department.

The *Papeterie Coöperative* practises the division of profits, not only on the basis of wages, but also on the basis of the value of the services of the salaried employees, of which the managers retain the right to judge. It also recognizes the principle of seniority, and increases the share of the workman according to the length of his service. The workpeople who can

show five years' service have an addition of one quarter to their dividend. Each five years adds a fourth part, until the share is twice the usual size. The financial results of participation appear in figures given by M. Edgard Laroche-Joubert, the present head of the establishment. From 1869 to 1881 the total amount of profits divided among the coöperators by the society was 1,272,228 francs, an annual average of 97,864 francs. During the three years 1882-1884, revised regulations increased this amount not far from 100 per cent. : the total amount was 559,789 francs, an annual average of 186,596 francs;<sup>1</sup> general profits increased only 23 per cent. in this time. In 1872 the participation amounted to an increase of 6 per cent. on wages, in 1877 to 11 per cent. ; this latter sum was about 16 per cent. of the whole profits.

A feature peculiar to the Laroche-Joubert establishment among French profit sharing firms, which reminds us of the English societies for coöperative distribution, and which has been of great help to the society in bad times, is the dividend of 12 per cent. to its customers, the retailers of paper. This dividend is payable in merchandise. As an example of its workings, in a recent year a dealer in stationery was paid a dividend of 1,200 francs, which was equal to a discount of six per cent. on his account.

Of the influence on the *personnel* M. Laroche-Joubert the elder wrote in 1877: "Participation in prof-

<sup>1</sup> This average has gone to the three principal factors in production in this proportion:

The superior employees and overseers received	117,865 francs.
Wages . . . . .	41,312 "
Capital and participators' deposits (interest not included) . . . . .	27,419 "
Total average . . . . .	186,596 franca.



its stimulates the zeal of the workmen, and attaches them, through self-interest, to the establishment and its prosperity. Moreover, it leads them to watch each other in the execution of their work, and often prevents waste. After a long experience, this system is recognized by the firm as preferable to every other." The testimony, in 1883, of M. Laroche-Joubert the younger, who had been in the business over twenty years, was to the same effect: "Profits have increased in a high degree in prosperous times, or have maintained themselves in the present grave crisis through which our industry is passing, while so many other houses are losing money or failing. This result is due to the fact that, thanks to the stimulus of coöperation, we have never had a strike among our men, or any clashing of interests; that, thanks to participation, the product of our works has increased; the perfection of our products is greater; our running expenses have diminished; our losses are less considerable; finally, our *personnel* is much more stable, so that we have a larger and larger number of families all the members of which are employed by the firm, parents, children, and grandchildren. Without participation, the zeal of our workmen would not have been sufficiently great for us to attempt the enterprise, which has succeeded so well, of giving to our original industry, the simple manufacture of paper, the great development which has come in the addition of the complementary and important *finishing* industries."

This Angoulême society has the strength of an institution slowly and patiently developed. Piece work and profit sharing have been so carefully elaborated that they have aided each other greatly. The resulting advantages have been such as might naturally be



expected from a sagacious and kindly application of the two systems in combination. The Laroche-Joubert workmen are firmly attached to the society, and whenever a vacancy occurs there are numerous applications from workmen anxious to enter. "The solidarity created by participation causes all the men to superintend each other, a superintendence more careful than that of the highest-paid employee would be." In delivering goods or material from one branch to another, the employees are exceedingly strict. They ask a receipt for everything, and will not "throw in" five centimes' worth.

The Laroche-Jouberts pay out in cash the whole amount of the profits divided. There is no mutual aid society, as in the *Maison Leclaire*: well organized associations of the kind abound in Angoulême. No provision is made for an industrial school: the works take children at twelve years of age, and furnish them a practical apprenticeship. The firm is jealous, however, to keep up the general standard of education. It defrays the school expenses of all the children of its employees, who attend the primary schools, attendance being obligatory; and it supports a school of its own for the hundred or more of boys and girls employed in the works. A *crèche* receives the infant children of the workwomen, so that provision is thus made for the care and education of children connected with the works between the ages of fifteen days and sixteen years.

M. Laroche-Joubert was so desirous of respecting the entire freedom of his employees in disposing of their earnings that he never instituted any pension or retiring fund to be supported in part by compulsory contributions from their dividend, and he left the

encouragement of thrift to depend upon the inducements held out by the deposit fund and the opportunity to become shareholders. Yet the firm never recognized that any *individual* workman had a legal or equitable claim to a share in the profits. The agreement was with the whole body of employees, and if any individual was excluded from participation on account of bad behavior or poor work, his exclusion increased the amount going to the others.

M. Edmond Laroche-Joubert died in 1884, after more than forty years' experience in business: he was lamented as a true "father of the people." He had consciously aimed at "the moral and material amelioration" of his employees, and his conspicuous success in his industry gave him a right to feel that business fares all the better when some degree of humanity tempers it. Yet, like M. Leclaire, he always claimed that his course as a manager was dictated by a wise view of the interest of his firm. "The master must not think that he gives away a part of his profits when he enters into coöperation with his men. Not at all. He has made a very good stroke of business; and of this fact we should seek to convince all employers."

In his place in the Chamber of Deputies, where he sat for some eighteen years as the representative of Angoulême, M. Laroche-Joubert often advocated the intervention of the State in forwarding participation. In this respect he did not carry with him the assent of other friends of the system, who have, more wisely, desired to leave participation free to succeed on its own merits. But his ardent and generous spirit had the most complete faith in the method which had succeeded so well under his own hands. "Perfection is not of this world, it is true," he said to the Commission

of 1883; "but if there is one thing which approaches it, I believe that it is participation; it is the system which to my mind offers the fewest disadvantages." This profession of faith derives its strength from the forty years' experience that M. Laroche-Joubert had had of the method which he eulogized. He had twice before this called the attention of the Chamber of Deputies to the contrast between the system under which strikes occur with increasing frequency, and the system under which they are the rarest of phenomena. Apropos of the strike at the immense iron-works at Creusot in 1870, he desired to ask the government what measures it intended to take to prevent the periodical return of these destructive outbreaks. "We must put an end to the motives which give them birth. We must come to comprehend that if intelligence and capital are indispensable to the conception, to the creation, to the organization, to the direction and operation, of every industrial enterprise, labor is not the least necessary auxiliary. If, some day, we may arrive at the solution of this problem, which to me is not insoluble, by granting, in just and legitimate proportions, a part of the profits to intelligence, a part to capital, and a part to labor, we shall have put an end to the cause of strikes, and with the cause to the strikes themselves."

Twelve years later, when the strike at Bessegès was under discussion, he declared that the only effectual remedy was, "what I have always preached for more than twenty years, the development of coöperation and participation. . . . There are three elements which concur in the success of every enterprise, — intelligence, which conceives, creates, directs; capital, which is the nerve of all; and labor, without which one can

do nothing. So long as there is not granted to these three elements, when profits are divided, a part proportioned to the service rendered by each, we may put down strikes, but we shall not prevent them from re-appearing."

M. Edmond Laroche-Joubert conducted an estate, *La Texandrie*, on the system of profit sharing, for a number of years; on his death, his heirs let the farm at a rent determined as a share on the profits. At the expiration of the lease the proprietors must compensate the tenant for improvements made.

One of the curiosities of profit sharing is the case of a dismissed workman, who in 1869 sued M. Laroche-Joubert for refusing him a share in the profits of that year. The court dismissed the plaintiff with costs, as having no ground in law or equity for his demand. This is, so far as I am aware, the only instance of the kind!

The paper manufactory of Mm. Ernest Laroche de Larochoy et Cie. at Nouthier (Charente), has practised profit sharing for some years on the same system that prevails at Angoulême, their regulations having been drawn up by the President of the Council of the *Papeterie Coöperative*; but I have not ascertained further details.

Three other instances of profit sharing occur in the manufacture of paper on the Continent. The Paper Works at Schlögmühl, in Austria, employing 800 hands, divide a sum proportioned to the year's profits among the employees and the workmen who have any influence upon the production. The length of service (it must be one year at least), the amount of earnings, and the comparative effect upon the amount of product, are the considerations which determine, with the managers, the size of each man's share. Capital receives five per cent. interest, and due allowance is made for reserve and depreciation funds. The bonus has varied from 37,500 to 50,000 francs.<sup>1</sup> Since

<sup>1</sup> Figures of foreign moneys, taken from French authorities, are given in francs.



1869, the year of foundation, the works have enjoyed constant prosperity.

The paperboard manufactory of Georg Adler at Buchholz, in Saxony, has attached to it establishments for lithography and other art work: in 1885 it gave employment to 280 men and 30 women. Wages equal from 20 to 35 per cent. of the product, according to the quality of the material employed in the various shops. The bonus paid is an indeterminate sum, varying with the profits of the year: each worker's share is deposited by the firm in the town savings bank to his credit, the intention being to make provision for his old age. The amount cannot be touched while the participant is in the service of Herr Adler. (To be a profit sharer, a man must have worked one year, a woman three years.) There are several other institutions for the employees' benefit. "My organization," wrote Herr Adler after eight years' experience, "has exercised a favorable influence upon the character, as well as upon the opinions of the workpeople. The force have a higher idea of their standing; they work with zeal and pleasure, and show much attachment to the house." All the hostile efforts of the Social Democrats have been without influence. "My workmen have energetically repelled attacks upon my organization, and have declared publicly, of their own accord, that they wish to have absolutely no relations with the party of the agitators." The workmen are noted for their thrift and good conduct.

Messrs. Abadie & Co., manufacturers of cigarette paper at Theil and at Masles (Department of the Orne, France), with a warehouse in Paris, have a capital of 4,000,000 francs, and employ from 200 to 250 hands. They allow their employees one eighth of the net profits of the year. The manager is the sole judge of qualification for this privilege. He admits to profit sharing, after one year's service, the zealous and capable men who have an influence upon production in the industrial department, and upon sales in the commercial department. The bonus to indi-



viduals varies from 10 to 50 per cent. on their earnings, and from 2 to 10 per cent. on their sales ; it is paid in cash. The portion of the whole bonus not distributed for any reason constitutes a provident fund for the benefit of the participants. These can leave their money in the firm, but without any right of control unless they have 10,000 francs in the capital stock. The company is open only to M. Abadie's family and the workmen : he hopes in this way to attach his employees, and to assure the future of his business in the hands of his children. A skillful and industrious workman can gain 500 francs a year above his wages ; and if he places this sum in the house he will receive an average income of 10 per cent. One third of the whole force share in the bonus, and of this number about one fourth are stockholders. In 1878, while stating that good effects had been realized by this system, M. Abadie declared that he had yet experienced more than one disillusion. Participation had been tried at least five years at this time. "The bad workman remains bad, with or without participation in profits. This proceeds in part from his lack of education. I estimate that about 8 per cent. of the men have been favorably influenced morally by the system. Examining the results from an economic point of view, we note an increase in production of about 10 per cent." In 1885, however, the judgment of the house was more favorable. "Thanks," they say, "to this powerful stimulant, the whole force have never ceased to be rivals in zeal in the work, in order to obtain the largest possible result ; cases of individuals indifferent to all the welfare which one would procure for them have been extremely rare, and we may say to-day that the whole force have been for long years in the service of the house."

## II. IN VARIOUS HANDICRAFTS.

The *Papeterie Coöperative* of Angoulême applies the fundamental principle of a division of profits between the employer and the employee to an elaborate manufacture, in a manner that has little to remind us of M. Leclaire. With the firm of Barbas, Tassart et Balas of Paris, however, which we next consider, we come upon the work of a devoted disciple of the Parisian house-painter. The firm of Ozenne and Co., engaged in the business of plumbing and roofing, had in its employ in 1842 a young man, Edmond Goffinon, who was greatly drawn to Leclaire, and studied with him the subject of participation in all its bearings. He was a thorough convert to the principle, and received an excellent grounding in its theory and practice from the example and the teaching of Leclaire. But far from rushing headlong to apply the methods found successful in painting to another business, in which hand labor is by no means so conspicuous a factor, M. Goffinon, when he became an employer and head of the firm, made haste slowly and wisely. As a result of his deliberation, the regulations of the house which has succeeded the firm of Goffinon & Barbas, and which has had the advantage of M. Goffinon's careful and cautious policy, are so excellent that they deserve the special attention of all students of participation.<sup>1</sup>

The business in which M. Goffinon soon rose to be a partner was gradually extended to cover all varieties

<sup>1</sup> They may be found in full in the *Bulletin de la Participation* for 1884, pp. 133-156, with a long preliminary note by M. Goffinon; also, in an abbreviated form, under Case No. 86, in the French translation of Dr. Böhmert's work.

of roofing, gas and water plumbing, and the introduction of heating, ventilating, and general hygienic apparatus. The capital needed was much larger than that required in house-painting, the material was expensive, and labor played but a minor part on the bill of costs. These peculiarities of the business led M. Goffinon to feel his way very cautiously, that he might have no backward steps to take. In 1853 he applied the method of prizes (*gratifications*); in 1865 he introduced participation in a tentative way, not binding himself to divide any fixed sum. Only so late as 1871 did he believe himself sufficiently enlightened by experience and reflection to draw up a code of formal regulations. This again received, between 1871 and 1883, several modifications as its workings were observed: it is thus the result of a slow and deliberate growth. The gropings in the dark, which are a necessity with the pioneer, need not be repeated in detail by later comers, in their trial of profit sharing; but the confidence of these later comers must be greater when they know that each feature of the Goffinon scheme, for example, has been wrought out with the greatest patience. It is no mere paper construction by a hasty theorizer; it is a system thoroughly tested and approved by time.

The *noyau* is a prime feature with M. Goffinon, as with M. Leclaire. The candidate for admission must have been employed three years, and have given proof of his industry and capacity. He must make application in writing to the heads of the house, and inclose a copy of his *casier judiciaire* and a health certificate. The participants receive five per cent. of the net profits of the business; interest, salaries, and 10 per cent. for the annual reserve fund, having first been allowed

for. The regulations declare that this dividend to labor, which averages 10 per cent. on wages (the usual recompense of the capital employed), is paid expressly as a "liberality," not as a legal obligation. One half of this labor dividend, or an average of 5 per cent. on wages, is paid in cash;<sup>1</sup> the other half is placed to the employee's credit in the Provident and Retiring Fund, where it bears 5 per cent. interest. The apprentices of the house become participants from the 1st of January of the year in which their apprenticeship expires, and they are allowed a year to make the "tour of France," and acquaint themselves with the methods of other houses. There is, besides, a class of "aspirant participants," who enjoy the privileges of the mutual aid society connected with the house, and are qualified to receive prizes from the prize money set apart. They must have been employed a year and a half, and when they are competent to meet the conditions for complete participation, two "sponsors" from the consultative committee approve them, as they do other new members, to the heads of the house. In 1883 the number of participants and "aspirants" was 58, out of an average number of 125 workmen employed; in 1885 it was 53, about one third of the whole number.

For the first ten years the dividend to labor was paid entirely in cash. But the amount of deposits in the workmen's mutual aid society was only 700 francs in this time, and M. Goffinon was not satisfied by such slight evidence of thrift. He did not perceive that

<sup>1</sup> As a considerable part of the work of the firm is done on the group system (the German *Gruppen-akkord*), — a species of contracting under which auxiliary workmen may be engaged, — in fixing the basis of participation for the members of the group, each is reckoned to have earned the average day-wage of his class of workers.

any progress had been made in securing a stable body of employees. He accordingly introduced the compulsory deposit of half of the annual bonus in the Provident and Retiring Fund. The fund pays 5 per cent. interest, which is added to the principal. The whole fund is invested in the business, but the general assembly decides each year, by secret ballot, whether to leave the whole sum standing to the credit of the members with the firm, or to place it in railroad, government or other securities (the account of each man is non-transferable, and in no way liable for the debts of the firm). Thus far there has been no change, the *noyau* being satisfied with the rate of interest and with the security of the investment, to which the reserve fund especially contributes. In order to withdraw his deposit, a workman must have been employed twenty years, or be fifty years old. As the regulations date from 1872, this rule has not yet been actually applied. Some of the participants had from 2,500 to 3,000 francs to their credit in 1883. When the participant has reached the time limit given above, he may, if childless, choose between a state life annuity or an insurance annuity with a reversion to his wife; if he has children, he can claim his principal in *rentes* or in railroad securities, the title to which will be handed over to his heirs, if any, on his decease. If he leaves before reaching the set time, his account is divided among the members of the *noyau*.

The mutual aid society, founded in 1872, is independent of the participation, but every participating workman must contribute three francs a month: all presents made to the workmen by patrons go into its treasury, as in the *Maison Leclaire*. In 1883 its capital was 13,000 francs, invested in the house at 6 per cent. interest.



As the firm has always had the confidence of the employees, and as the bookkeepers and cashiers are participants, there never was any difficulty in regard to the inspection of accounts. But in order to meet an objection frequently made by critics of the system, the firm introduced the plan, also practised in some English profit sharing enterprises, of calling in (by vote of the general assembly of the *noyau*) an expert accountant. His duties are limited to discovering and certifying whether or not the annual inventory has been correctly made out, and the labor dividend of 5 per cent. on profits rightly allotted according to the regulations of the house. M. Goffinon had not, in 1883, seen any inconvenience resulting from a knowledge of the profits of the business by the workmen: it would have been difficult to keep them from knowing quite well what these were, as the bookkeepers were participants, but they were recommended to say nothing about the matter outside of the house.

The Consultative Committee, which is the usual intermediary between the masters and the men of the Barbas establishment, meets every three months: it includes the managers, the chief overseers, the two oldest *employés*, and the five oldest workmen. "This committee has shown us," said M. Barbas in his testimony of 1883, "that our workmen understand better than at the outset that labor is not everything in business, but that capital, and, above all, managing ability, have a great rôle in production, and in the results in profits and in reputation." The power of final dismissal from the house does not rest with this committee, but with M. Barbas.

The firm expressly reserves the right to abandon participation at pleasure; but its good effects are such

that M. Barbas, the present chief partner, is as hearty a friend of the system as M. Goffinon. The latter wrote in 1884 that the results were not yet all that he expected. "I have no hesitation in acknowledging it; but I should also say that I am not at all surprised. Progress does not advance so rapidly. . . . With us the difficulties in the way have, little by little, disappeared in the course of our twelve years of regular participation. Thus we find that the men are interested and attached to the institution; that they remain; that the duration of the years of service increases. They are economical of material: instead of cutting a small piece out of a sheet of zinc, they exert themselves to find one among the cuttings. They are careful of the apparatus; they are less imprudent for themselves, and they watch over the safety of others, for an accident is a loss of profits. They improve in the practice of their trade; they apply themselves to their work; and finally, by their exactness, their good work, and their general behavior, they try to please our customers." "Participation," testified M. Barbas, "has a merit which we set in the first rank, — that of assuring a stable body of workmen. It is not the rolling stones of the shops who become participants: and when these same workmen own books showing a saving of 3,000 francs, which goes on increasing every year by their annual share of the profits, added to the 5 per cent. interest; when, independently of these advantages, they are almost sure of work the year round; when, in the same house, they find a mutual aid society fully organized, a technical school for their children, and finally an accident insurance policy the premium on which is paid by the house, — these workers are, perforce, steady and sober."

The Goffinon-Barbas house has had no trouble with its employees under participation. It pays the high wages fixed by the Paris *séries de la ville*,<sup>1</sup> with an increase to good workmen. There is always a demand for admission from workmen of other houses, who see, with the managers, "that a great part of the success of the firm is due to participation." The employees set fire-guards during the Communal uprising, around the buildings of the firm, of their own accord; "*our house*" they call it. Not a speculative business, the Goffinon-Barbas industry seems to have fully enlisted the interests of the employee in favor of harmony and stability. Looking to the future supply of workmen, the firm is generous to its apprentices. The children of employees have the preference as applicants for apprenticeship, or for instruction in the industrial school which the house has kept up since 1872, with good results in the improvement of technical knowledge. In primary instruction, the partners lament that the degree of success obtained in the *Maison Leclaire* and the *Maison Chaix* has not yet been attained by them. But with the system of participation itself, M. Goffinon and M. Barbas express their thorough satisfaction. "Our own experience proves that participation is an economy in production, and an active element of prosperity for all." M. Goffinon shows the economy by these figures: "Formerly the wear and loss of cordage, ladders, and soldering-irons were reckoned at 8,000 to 10,000 francs per year; now we need allow but 5,000 francs: there is an equal gain in economy of material used." "Participation, then, presents great advantages: it favors ap-

<sup>1</sup> A schedule of wages published by the municipal council: see note on p. 129.

prenticeship ; it develops the most essential industrial qualities in the workmen, — knowledge, stability, and attachment ; it is an economy in production, a source of profits for the employee as well as for the employer, an instrument of prosperity, and an aid in the transmission of business establishments. Thus much for the purely industrial side. On another side, participation develops personal dignity and morality among the workmen : it gives them an economic education, dissipates many errors on the subject of labor, suppresses the pretext for strikes, and may serve as an initiation into coöperation. Bringing the workmen nearer to each other, and the masters nearer to the men, it unites them by a bond of interest which sooner or later changes into a bond of sympathy and destroys antagonism. It satisfies a legitimate ambition, relieves the future from the sorrowful prospect of poverty, and drives out bitter reflections with gentler thoughts." Such is the judgment of M. Goffinon after forty years of study and practice of Profit Sharing.

The house of Goffinon and Barbas has found two imitators in the roofing and plumbing business, in Paris. M. Ph. Monduit fils introduced profit sharing in 1886. Men employed by him over two years share in 10 per cent. of the annual profits, on the basis of their wages ; one half of the bonus goes to a provident fund. A reserve fund, to be limited to 100,000 francs, belongs nine tenths to M. Monduit and one tenth to the men.

Thuillier Bros. began the 1st of January, 1887, to divide profits with a *noyau* of 15 men : the members' share is 10 per cent. of the profits, which will probably increase their wages, in good years, in the same proportion. The firm have also founded an aid society and a technical school, after the model of the Barbas house.



A method of profit sharing quite unique has been practised by M. Bourreiff, a gas-fitter of Paris, for twenty-five years. He makes a contract with his patron, in accordance with which the latter pays currently for the material used in the job (pipes, lead, and so forth), and the estimated number of days of work, paid according to the city prices.<sup>1</sup> When the work is completed, the difference between the actual and the estimated cost is divided between the patron, the contractor, and the workmen. The first party receives one half, and the other two parties one quarter each, of this difference. M. Bourreiff, testifying before the Commission of 1883, gave a recent example of the operation of his plan. It was a minor job, not especially advantageous to the contractor or the workmen. M. Camus, a manufacturer of builders' hardware, wished to have a gas-motor set up in his shop. He contracted with M. Bourreiff to do the work at the estimated cost of 283 francs for the labor: he paid for the material used, at an advance of 10 per cent. on the cost price, as compensation for the minor expenses, such as inspection of its quality. The actual cost of the labor at current rates was 127 francs: the work was executed rapidly and well. "I said to the proprietor, returning him his estimate: 'There are, then, 78 francs for you, 39 fr. for the workmen, and 39 fr. for myself' ( $78 + 39 + 39 = 156 = [283 - 127]$ ).' In this way our employer obtained a discount of 27 per cent. on the city *tarif*; the workmen saw their wages increased 30 per cent.; and I, the contractor and man-

<sup>1</sup> The so-called *tarif* or *séries de la ville*, promulgated by the municipal council, establishes a rate of wages so high that it is not universally observed, and contractors commonly make a large discount on this basis.



ager, gained 15 per cent. without advancing capital. This system of participation is one of the most simple. The employer can pay for the material currently ; and it only remains for me to make the discount with my workmen on the amount of labor."

M. Bourreiff declared himself "a veteran in participation : I studied it as a workman, and when I became a contractor I applied it. It is the only means, I think, of raising our industry from its present bad condition." On his advertisements in the offices of the Parisian Omnibus Co., M. Bourreiff inscribes : "Increase of wages, decrease of cost, suppression of strikes!" In his long experience of the system he has found that his employees work quickly and thoroughly. Workmen whom he employs on the common system do "three times less work than the others." The rapidity and excellence of the work done by the participants contribute directly to swell their bonus : this is paid immediately on the conclusion of the job in hand. The result is an extraordinary impetus given to the work, and entire unity between M. Bourreiff and his men. As Dr. Frommer points out,<sup>1</sup> this system has a certain similarity to the wages system practised in the London shipyards, according to Brentano (*Arbeitergilden*, Bd. I. s. 214, 215), which he denominates "group wages with profit sharing" (*Akkordmeisterlohn mit Gewinnbetheiligung*). The difference is that M. Bourreiff contracts directly with the public, and the group master with the manager of the shipyard.<sup>2</sup>

M. Caillette, stone-mason, of Paris, employs from

<sup>1</sup> *Die Gewinnbetheiligung*, p. 94.

<sup>2</sup> See under American cases, in Chapter VII., the system pursued by Mr. Fette of Boston, with employees of gas-works.

200 to 250 workmen, but the system of profit sharing practised by him since 1881 includes only the clerks and overseers, these being but half a dozen or less in number. The clerks received 5 per cent. of the net profits of the business, and the overseers 15 per cent. of the profits on the work done under their oversight. M. Caillette considers the plan of profit sharing impracticable for the generality of the workmen he employs, they change so often. But he found it very satisfactory as he practised it, and proposed to enlarge the number of participants as soon as business improved (March, 1887).

Mozet and Delalonde, masons, of Paris, began participation in 1885, with a *noyau* or nucleus of forty of their men, to be increased each year by adding the capable employees of two years' standing. The bonus is fixed at 10 per cent. of the net profits, one half payable in cash, the other half going to a retiring fund, where it bears 5 per cent. interest. There is a consulting committee of seven members. The year 1885-86 gave a bonus equal to 8.27 per cent. on earnings; 1886-87 one of 8.7 per cent. The difference in the systems of these two houses of masons is striking.

The Maison Lecœur, Paris, an establishment for carpentry and joinery, dates from the middle of the last century. Generally it employs about 400 men, of whom 113 are regular hands. The group system has prevailed here for a long time. In 1885 participation was introduced to the extent of allowing the employees ten per cent. on the profits. The oldest and most meritorious workmen compose the *noyau*. It admits new members after three years' service. At least one half of the bonus must go to the retiring fund; the rest is paid in cash. A first reserve of 10

per cent. on profits is kept on hand to meet bad accounts; but the sum left at the expiration of a year goes to swell the profits on the next account. There is the usual consulting committee, under the presidency of Mademoiselle Lecœur, the present head of the house. The accounts are examined by an expert.

### III. TYPOGRAPHICAL INDUSTRIES.

Type-founding, Lithography, Printing, Publishing and Bookselling.

The firm of Deberny et Cie., type-founders of Paris, now divide profits with their employees, the workman's wages representing a hypothetical capital on which his bonus is calculated; but no part of his dividend is paid him in cash. M. Deberny introduced participation in 1848; but while, in other respects, the system in effect worked excellently, he was not at all satisfied with the small amount of foresight, in laying up savings against sickness and old age, which his body of employees manifested. As they were not sufficiently thrifty under the system of an immediate payment of the whole bonus in cash, M. Deberny thought it highly advisable to make a change to "deferred participation." After twenty-four years' experience, therefore, he introduced, in 1872, the plan now in operation, which is precisely the opposite of his first method. The whole intention of the bonus, as paid to-day, is to make provision for sickness and old age among the employees.

Wages, which in an industry like this, employing little machinery and much hand labor, vary a good deal, are fixed by agreement between the firm and the men, for a period of five or six months at least. The good feeling of both parties to the wages contract,

which has been developed by long practice of profit sharing, is such that all questions as to the price of labor are discussed amicably, and settled without irritation. In 1882, a year of disastrous strikes among the workmen of Paris, the employees of M. Deberny took pains to assure him early that they had no intention of striking. The firm has thus enjoyed the full advantage, pecuniary and moral, of being able to count confidently upon its men at all times. A council of ten workpeople, chosen in part by the employees and in part by the firm, discusses all questions of interest to both, and furnishes an intermediary when needed.

The net profits of each year's operations are divided between the employer and the employees on the basis of the proportion between the whole amount of wages paid and the invested capital, including the necessary expenses of management. The share of each workman depends on his actual earnings during the year: all are participants. A mutual aid fund receives, to the credit of each employee, his whole bonus, and also a regular deduction of two per cent. from his wages. The fund is the common and life-long property of the participants. Every year the share of each workman in the whole amount is calculated anew on the basis of the total amount of wages which he has earned since entering the employment of the firm. Besides making temporary loans to the men, up to a third part of their account, at six per cent. interest, and assuring them or their families the usual aid, this fund of the foundry (*caisse de l'atelier*) guarantees pensions to those who are over 55 years of age. But a man must have worked 7,500 days (about 25 years) in the establishment, and a woman 6,200 days. The amount of the pension depends upon the sum standing to the pen-



sioner's credit in the fund: it varies, for men, from 1,300 to 1,800 francs; for women, from 500 to 900 francs. The widows of employees have no claim to a pension, but they generally receive a small annuity as a gift. The employee who has reached the prescribed age is free to retire altogether from work on his full pension, or to continue working, on a partial pension, for as many hours a day as he wishes. But as soon as he begins to draw his pension, he loses his claim to his account, according as he enjoys a pension of one third, one half, two thirds, or other fraction of the full allowance on complete retirement.

Should an employee, on the other hand, leave the service of the house before he is 55 years old and has worked the prescribed number of days, he forfeits his claim to his account wholly, if he has not spent 900 working days in the foundry. If he has worked over 3,000 days, he loses one fifth.<sup>1</sup> This provision concerning withdrawal is equivalent, then, to requiring three years of continuous labor as a condition of participation. Each workman's account is opened after he has been in the house six months, but he can derive no benefit, in the way of a pension or a settlement on leaving, before the 900 days have elapsed. In case he leaves before the three years have expired, his account is divided among the other participants. Thus it came to pass in 1883 that out of 150 workpeople (of whom 70 were women), all participants, 119 were fully qualified joint owners of the fund. Between 1848 and 1872 there were distributed in cash bonuses 106,509

<sup>1</sup> If a participant in good standing dies before reaching the age of fifty-five, his account is paid to his widow or children. The great majority of those qualified to retire continue to work on a partial pension so long as they are able.



francs. From 1872 to 1882 the whole bonus going to the fund amounted to 79,281 francs. For the three years 1880-82 the annual dividend to the employees averaged 17 per cent. on the net profits, and  $7\frac{1}{2}$  per cent. on wages. The following table exhibits the condition of the fund on the 31st of December, 1882 :

	Fr.	Cent.
Amount of capital December 31, 1872 . . .	50,089	65

RECEIPTS SINCE 1872.

Bequest of M. Deberny . . . . .	10,588	—
Deduction on wages . . . . .	36,593	05
Interest on loans . . . . .	3,894	40
Interest on capital . . . . .	27,440	85
Various receipts . . . . .	2,354	05
Bonus . . . . .	79,281	40
Total . . . . .	210,241	40

EXPENSES SINCE 1872.

	Fr.	Cent.
Aid of sick . . . . .	26,792	30
Pensions . . . . .	49,805	45
Funerals . . . . .	1,933	30
Various expenses . . . . .	3,155	25
Accounts settled . . . . .	12,445	55
Total . . . . .	94,131	85
Capital on hand . . . . .	116,109	55

The council of workmen administers the fund, its own cashier being assisted by the cashier of the firm. An unusual feature in M. Deberny's scheme, which completely meets a very common objection to profit sharing, is that this mutual aid fund must share in the losses as well as in the profits of the business. Such a loss sharing has actually happened twice, and no trouble was experienced in consequence.

The employees, according to M. Tuleu, the present

head of the foundry, have entire confidence in the declarations of profits and of the value set upon the establishment by the firm, knowing that these are always made upon the same principle, and through book-keepers who are interested as participants.

"The results of participation in this case," says M. Tuleu, "are, above all, a complete understanding between the firm and the employees, and a mutual confidence, to which we attach the highest value. Participation has attracted and retained with us the best workmen in the business. Feeling their own interest directly united with the interest of the house, they are more careful in their work. In an industry where the *forms* are very minute, bad forms are almost unknown with us. These advantages — it would be very difficult to estimate them in figures — have, in our eyes, a much more considerable value than the percentage on profits with which we buy them."

The establishment of L. Gasté, of Paris, presents an example of the application of participation where the number of employees is small in comparison with the large industrial houses we have had to consider. "The remark is often made," said M. A. de Courcy, in his testimony before the Commission of 1883, "that profit sharing is not applicable to houses that have but a small number of employees, while others, with more show of reason, declare that it is not applicable where the *personnel* is very numerous. But I maintain that participation may be put into effect everywhere, whether there are few or many employees." M. de Courcy induced M. Gasté, who had had somewhat unpleasant relations with his dozen or so of workmen for quite a long time, to enter upon participation in 1871. His business embraced the three lines of engraving on

copper, lithographic printing, and the manufacture of account books, *registres* ; each branch of the industry was under the control of an overseer ; wages amounted to 40 per cent. of the value of the product, and to 60 per cent. of the capital. The employees, who now number from 25 to 30 all told, are of a comparatively high degree of intelligence, and capable of appreciating the value of the system of deferred participation which M. Gasté derived from M. de Courcy, and which makes saving obligatory. The employee must have served one year in the house to be qualified : he shares in the bonus on the basis of his earnings, but the chief employee receives three times, and each overseer two times, as much as the ordinary workman.

After ten per cent. of the net profits has been put aside for the reserve fund,<sup>1</sup> one third of the remainder goes to the employees as bonus on labor (this proportion may be changed by M. Gasté, but in fact it has not been). But, after the example of the General Insurance Company and M. Deberny, no part of this dividend is paid in cash. The whole is deposited with the company, in separate accounts. After twenty years' service, or the attainment of his sixtieth year, the employee has a right to demand the payment of the sum which has accumulated in his name. At his option he may receive cash, *rentes*, or railway bonds ; or he can have the principal reserved to his heirs. In case of his death, or dismissal without fault, or drafting into the army, his family or himself obtain the whole or part of the amount then due. If he is sick of a chronic disease or infirm, he receives the whole sum to his credit. But if he is dismissed for bad

<sup>1</sup> The reserve fund has been drawn upon to increase the bonus in bad years.

workmanship or immoral conduct, or leaves the house of his own free will, he can demand nothing. A consulting committee of five members includes two bookkeepers (one designated by the firm, the other by the workmen) and the three overseers: it assists the manager in the application of the profit sharing system, and three of its members make an annual examination of the accounts.

In the five years 1871–1876 the whole bonus amounted to 20,175 fr. The proportion of bonus to wages paid, up to 1884, varied from 5.75 per cent. in 1872–73 to 17.35 per cent. in 1878–79. Between 1871 and 1876 there were paid out on liquidated accounts of participants deceased, dismissed, or drawn into the army, 2,917 fr., leaving 17,258 fr. on deposit in the General Insurance Company as the principal resulting from five years' participation. "These figures," said M. Gasté, "are modest, since my establishment is one of slight importance, and my industry gives very limited profits;" yet, viewed as the beginning of a provision for old age, the sum was worthy of respect.

Turning now to the other results of M. Gasté's method, I will first quote M. de Courcy's testimony: "M. Gasté came to me to thank me for the advice I had given him to apply participation. 'I appear to be very generous,' he said to me; 'but I am not so. I recover, and more than recover, the 33 per cent. of profits which I turn over to the provident fund, in good *forms*, in assiduous labor, in the certainty that I shall have no strikes, in good choice of workmen, — I can always have the best, — and in economy of time and material.' And then he gave me this striking example. In his establishment the men broke many

lithographic stones before participation came in. These stones are worth about 24 francs. Since the introduction of profit sharing, they break none. And he had heard this noteworthy remark of one workman to another: 'Hold on there! don't break any more stones; that one costs *us* 8 francs!'" M. Gasté thus wrote to Dr. Böhmert in 1877: "Participation has given the best results, as well for the employer as for the employees. At the beginning, the *personnel* of the house, although it was formed of good elements, contained some minds little fitted to comprehend and appreciate the advantages which were assured them. Little by little, and without any effort on my part, through the natural and perhaps even unconscious pressure of the other men, this weak element was forced out. The healthy and active element, on the contrary, has shown itself attached to the establishment and preoccupied with its success. Insensibly the work has improved; it has been effected with more economy, and more activity, more pains; it has become better work, even while costing less. Each one now sees his little savings assuming every year more importance. Each one comprehends that the surest means of further augmenting this precious resource is to labor with more economy and care. The efforts of all are constantly directed toward this end, and the result is such that I am constantly executing works before the difficulties of which I should formerly have recoiled. Thus the share of profits which I give my workpeople, although the proportion is very high, does not cost me a centime at the end of the year, but much the reverse. Participation, by habituating the employees to the thought that it depends only on themselves to arrive some day at possessing a little



capital, the fruit of their labor and their savings, and by showing them that they had this capital in hand, and that it was their part not to let go of it, has insensibly caused the *personnel* to take on habits of order, of economy, and of stability, which it did not before possess. Certain articles of the regulations have awakened the family spirit, and false situations have been rectified. Each one respects himself. Harmony reigns between these men, who are pursuing one aim in the interest of all. Thus the relations of the workpeople with each other, and of the *personnel* with the master, are constantly impressed with true cordiality, and mutual esteem and confidence. I have been at the head of an establishment for twenty-two years. For a long time the relations between my workmen and myself were somewhat strained (*quelque peu difficiles*), although I had always brought into these relations much goodwill. But to-day it is entirely otherwise; I am only just in saying it. Since I put participation into effect, I have certainly entered the phase of industrial harmony, and every day I felicitate myself upon it more and more. I close by saying that this provident system in favor of the workman, founded upon profit sharing, so simple in itself and so easy to apply, is the realization, as happy as it is beneficent, of a high moral and social idea. I sincerely wish that men of goodwill, so numerous in commerce and industry, may enter upon this fruitful way. Without its costing them a centime, they will find therein a security in labor, and a moral satisfaction, of which they have no conception."

M. Gasté had provided in his rules that on his death the employees should have their choice between the liquidation of their accounts or the continuance of

profit sharing under his successor, if the latter wished to adopt the system. M. Gasté died in 1878, but participation is still in force, to the complete satisfaction of the workpeople and of the present head of the house, M. Marcel Garaudé. Only three or four workmen, the poorest, left the house in 1878; the others remained, and in 1886 M. Garaudé could say: "The system of participation, which I am happy to continue, gives the best results. Tranquillity of mind for employer and employee alike, excellent relations between them, and irreproachable execution of orders, are its fruits."

Another lithographic establishment of Paris, which has divided profits with its workmen since 1879, is that of M. E. Buttner-Thierry. He employs twenty-seven men, who are all participants. The bonus is calculated by a different method from any which we have thus far met. After deducting from the gross sales, losses, discounts, failures in production, and breakage of material, one per cent. of the remainder goes to the employees. The total sum falling to their share appears to be divided on the basis of the earnings of each man. One third of this dividend is paid in cash; and the other two thirds are deposited to the workman's account in the Union Insurance Company, at compound interest. It forms a policy, payable to the participant after the usual term of twenty years' service or sixty years of age, or, in case of his death, to his wife or children. If the employee adds to these two thirds the first third, the firm increases it by 5 per cent. as an encouragement to thrift. In 1883, four years after the beginning of participation in the house, four only of the employees thus deposited the whole of their bonus. M. Buttner-Thierry increases the annual dividend on sales by a supplementary gift, which has varied according to the profits of the year, from 394 fr. in 1881 to 2,171 fr. in 1883. For this last

year the gift was larger than the bonus proper, the whole amount increasing wages 10 per cent. The bonus ranged from 1,206 fr. in 1881 to 1,966 fr. in 1882. The whole sum distributed in five years was 11,600 fr. There is no provision for any bearing of losses by the participants. The accounts are kept by participating employees.

There are, according to M. Buttner-Thierry, important factors in fixing the rate of profits besides the labor contributed, and the more or less advantageous orders executed. Such are interest, larger or smaller; amortization, more or less rapid, of the fixtures; and depreciation, more or less serious, of merchandise in stock. "The solution of these questions often provokes disagreement among partners, and this of course is still more likely to arise between masters and men. Guided by differing interests, they may differ in all good faith in their valuations. I have believed it wise to avoid this rock. My workmen always receive exactly the figure to which the rules and the accounts give them a right. They are then fully satisfied. Besides, I add to their part, without being bound to it by any regulation, a sum based on the profits realized. No discussion then can arise as to my manner of keeping my accounts, or calculating the amortizations: no one's susceptibilities are wounded. The workmen's savings permit them to look forward to their future more tranquilly, and this influence will increase. As for myself, participation has rendered me the service of surrounding me with a certain number of employees and workmen more desirous than before of producing well. We have gained in security, and our common life is more easy. I feel myself encouraged by their cordial attitude, which sustains me in the tribulations inseparable from every industry, and makes me hope that a loyal and continuous understanding with them will spare me, if not the inevitable anxieties of business, at least labor difficulties, since they will always enjoy the measure of well-being which the prosperity of the house can legitimately afford them."

The Paul Dupont publishing and bookselling establishment at Paris, employing 1,500 persons, affords an example of profit sharing continued for a long period. From 1848 to 1880 the house distributed to its employees 10 per cent. of the profits, after allowing for interest (5 per cent.) and the statutory reserve. Each workingman, after two years' service, received a book on which his share was inscribed. The sum remained in the house at 6 per cent. interest. In 1880, in the general revision of the regulations it was judged best to do away with individual participation. Collective profit sharing, through the aid and the retiring funds, then several years old, was made the rule. Over 4,000 francs were distributed in settlement of the individual accounts: the part of the workmen, increased from its former amount, now goes to the two funds, which had a capital in 1882 of 71,784 francs. The intention of this change was to render the force more stable. In 1883 the number of participants was 481; 24 pensioners were receiving life-rents of 200 fr. each, and the house savings bank had 47,000 fr. on deposit, to the credit of 183 persons.

The immense printing establishment of A. Chaix and Co., in Paris, is a striking instance of the freedom and diversity in detail with which the principle of profit sharing has been carried out by French industrialists of the highest rank. M. Napoleon Chaix established a house devoted especially to railway printing in 1845, about the time of the great expansion of the railway system in France due to state aid: its business steadily increased until in 1884 it gave employment to 1,200 persons, of whom 120 were women, engaged as stitchers, and 150 children. Every variety of printing demanded by a railway or the travelling public —



such as blanks, time-tables, guides, freight-tariffs, investors' manuals, and railroad "libraries" — is done in the Chaix establishment. Mr. Sedley Taylor, writing for English readers, says it has been described, though but inadequately, "as Bradshaw and the Right Hon. W. H. Smith rolled into one." Some Americans will recognize the comprehensive nature of the business more exactly if they think of it as the Rand-Avery Supply Co., Poor's *Railway Manual*, and the *Pathfinder* joined together to make one establishment, which also provides literature for travelers, and prints newspapers and magazines by the dozen.

M. Napoleon Chaix, the founder, desired to introduce participation in the revolutionary year 1848. Influenced by M. Louis Blanc, he proposed to allot to his employees 10 per cent. of the profits of his flourishing business. But his workmen of that time were less intelligent than the same class to-day: the air was full of ambitious schemes for the entire reorganization of labor, and M. Chaix's employees made the preposterous demand that profits should be divided every month. The utter ignorance of the methods of the business thus shown was infantile; but the employees persisted, and M. Chaix was obliged to abandon his proposition. He continued, however, his laudable efforts to improve the condition of his workpeople in directions in which it was not necessary to ask their coöperation. He made his establishment a model for its kindly treatment of employees, kept it in the best condition as regarded their health and safety, and paid pensions to retiring workmen. In 1862 he founded the schools for primary and technical education which are now such an important and admirable feature of the organization of the house.



In 1872 M. Albans Chaix, the son and successor of the founder, thought the time ripe for carrying into effect the plan which had failed of adoption in 1848. He informed the workmen that he proposed to divide among them 15 per cent. of the net profits for that year, leaving himself in every respect free to be guided by the results of the scheme. So well satisfied has he been with the operation of participation, that the system has continued up to the present time, with the same rate of bonus. The establishment passed into the hands of a joint-stock company in 1881; but the directors unanimously recommended the retention of profit sharing at the original percentage, and the general meeting of the shareholders adopted a resolution to this effect with absolute unanimity.

Three years' employment are necessary in the *Maison Chaix* to qualify an employee for participation.<sup>1</sup> He must make application to the head of the house, and promise conformity with the regulations: his competence and zeal in work must be manifest. There is no absolute right to admission; but, in point of fact, no application has ever been refused. The chief alone can suspend or dismiss an employee. The bonus, which for the first eleven years (1872-1883) realized an average of  $7\frac{1}{2}$  per cent. increase on wages, is based, for each man, on his regular earnings. It is divided into three equal parts. The first part is paid in cash, the intention being to secure the stimulus to the worker which arises from an immediate reward. The second part is credited to his account on the books of

<sup>1</sup> In case a workman is admitted from another establishment where he has had a share in profits, his time of probation is between three months and a year, according to the decision of the committee having charge of the matter.

a retiring fund, where it receives 4 per cent. interest. If the employee leaves the house for any cause, he can demand the payment of the sum standing to his credit. The remaining third of the bonus is paid into the same fund, at the same rate of interest ; but while the second part goes to form a capital of which the workman has the full disposition in case he leaves the house, thus gratifying his natural desire for independence, this last part must accumulate until he has worked twenty years for the firm, or is sixty years old, as it is intended to provide modestly for his old age. It does not constitute a life annuity, however: the capital is reserved, except in case of absolute distress, and is paid over to the heirs ; this is likewise the case with the second part of the bonus when the participant dies in the service of the house.

On the establishment of participation in 1872, M. Chaix allotted to the 117 persons admitted a sum of 52,000 fr., reserved from the profits of several preceding years for this purpose: each participant received 50 fr. to his credit for each year that he had been in service. Subsequently, 437 other employees were admitted, up to January 1, 1883, while 200 had retired, quitted the service, or died, so that there were at this date 354 participants. On the first of January, 1884, the number was 368, somewhat over one third of the whole number employed. The method of participation followed is not such as to encourage stability in the highest degree, but it is interesting to note that, out of these 368 persons, 4 counted over 30 years in service ; 20 from 20 to 30 years ; 36 from 15 to 20 years ; 85 from 10 to 15 years ; 152 from 5 to 10 years ; and 71 from 3 to 5 years. In the retiring fund there were 5 accounts of participants of 8,000 fr. each and upwards ;

5 of 6,000 to 8,000 fr.; 22 of 4,000 to 6,000 fr.; 30 of 2,000 to 4,000 fr.; and 306 of 2,000 fr. and under. The total sum divided in the eleven years 1872-1883 was 719,590 fr. The year 1882 was a very unfavorable one in comparison with its predecessors. The 15 per cent. on profits realized only  $1\frac{1}{2}$  per cent. on wages. The causes of this temporary decline were the industrial depression of the period and greater competition, especially from the State printing establishment, *L'Imprimerie Nationale*, "armed with monopolistic claims upon all the public departments, and supported out of general taxation, so that it is able to combat private firms with resources to which its competitors are themselves obliged to contribute" (Sedley Taylor, p. 54).

There is a Mutual Aid Society, as old as the Maison Chaix, which every employee is obliged to join: 80 centimes are retained by the firm out of wages paid by the fortnight, and 1 fr. 75 c. out of monthly salaries, for the support of this fund; women and apprentices, however, contribute only 55 centimes. The regulations of the fund, on which the Maison Chaix allows 6 per cent. interest, are unusually liberal.

M. Chaix has been in the habit of making an address each year on the occasion of the distribution of the bonus, in which he usually recommends to the workmen to employ a part or the whole of the cash payment in securing themselves a life insurance policy, or a retiring pension in the State Bank. So effective are his words that in 1884 nearly one half of the participants made this use of their cash bonus; these voluntary savings amounted to 12,000 or 13,000 fr. a year. Widows and children of workmen have often received, on the death of the father of the family, from

4,000 to 5,000 fr., as the accumulation of profits belonging to the second and third portions. Such are the good results of this system of participation in encouraging thrift, and a provision for old age or a family left behind.

As respects economy of tools and materials, M. Chaix mentions several pertinent instances. The lithographers are more careful of their stones. "Don't let us break any more," they say; "we should lose eight francs!" In his address at the first distribution of profits, M. Chaix read the following note from a workman, who comprehended perfectly his own duty, laid upon him by the system: "Monsieur Chaix, I have the honor of letting you know by this present note, and in the interest of participation, that M. — and myself are now using one light instead of two. We thus make a saving of 50 centimes' worth of oil a day for the four winter months, or 120 days, which would give a saving of 60 fr. in the season. Let each one do as much for the gas, the heating, etc." "In these words, mark it well, gentlemen," said M. Chaix, "is found in part the secret of the augmentation of interest under participation. If each one thus thought and acted, the importance of your interest would rapidly increase." The actual economy in the establishment sometimes went to an amusing extreme. When a customer received proofs two or three times in the same envelope he inquired the reason. "It is because we have participation," replied the clerk!

A consultative committee is a feature of the *Maison Chaix*. It has nineteen members, including M. Chaix at the head, — the nine officers of the Mutual Aid Society, the three senior heads of departments and foremen, and the six senior workmen, workwomen, or



*employés* of the house. It meets every three months, or oftener, to discuss matters arising under the rules of participation. The committee also confers with M. Chaix on economy in production, apprenticeship, the health of the children employed, the measures to be taken for the safety of employees, and on any other matter touching the interest of the establishment and the welfare of the *personnel*.

There is no interference of the employees in the business management or the accounts. Several of the participants are shareholders; the stockholders' assembly affords a sufficient guarantee that the proper dividend has been paid to labor, and under the French law the company must publish a detailed statement of its operations each year.

M. Chaix, in instituting participation, thought that "these new arrangements ought to result in the establishment of a moral and material bond of union between the house and those employed in it, of such a kind that the house may derive an advantage from it in respect of the thorough and rapid execution of work." These expectations have been justified by the event. M. Chaix was not content with the gain in economy the first year, but each new year gave evidence that the system was educating the workmen in carefulness, in zeal, and in thrift. In his second year's address he said: "I have ascertained with satisfaction that the introduction of profit sharing has, as I hoped it would do, developed the zeal of those interested in it; each one takes more interest in the work assigned to him, and executes it better and more expeditiously." In 1879, after six years' experience, M. Chaix declared: "In what concerns the execution of work in the workshops and in the offices, I



find around me such an amount of willing zeal that I give the main credit for this excellent state of things to profit sharing, and congratulate myself more and more on having set that principle working in the house." "If there be a spectacle which should satisfy the friends of social peace," he had previously remarked, "it is assuredly that presented by the industrial family of this establishment, when, at the completion of the year's work, it is gathered together in order to learn the results of our joint exertions, and the amount of its allotted share in the profits realized. No institution is, indeed, better adapted to draw close the bonds which unite you to the house, and to inspire you with confidence in the future, than participation, which has enabled me to constitute for your benefit, not only certain immediate advantages, but also a capital from savings, which has, for some among you, already reached important dimensions."

In 1884 M. Chaix, addressing the French Association for the Advancement of Science, told the members that "the results obtained by the house are satisfactory. The workman brings more pains to his work; he is more attentive to avoid leakage, that plague of manufacturers; participation attaches him to the shop." In 1878 occurred the only labor difficulty which has taken place under the regime of participation. A strike prevailed in many of the printing houses of Paris. In common with others, M. Chaix's printers demanded higher wages: the request was granted, but sixty-two workmen left their cases. It is significant, however, that among them but a single participant was found, together with five apprentices who joined against the wish or the order of their parents. "I believe," said M. Chaix, "that in this affair partici-

pation exercised a happy influence." Mr. Sedley Taylor paid a visit to the Maison Chaix in 1882. He writes:<sup>1</sup> "I had long conversations, not only with the chief of the establishment, but with heads of departments, foremen, and other members of the house. As far as I could learn, the participatory principle was held in the utmost esteem, and its application had proved free from any serious difficulty. The only complaint I heard came from an old foreman, who was not quite satisfied with the rate at which the principle was producing the moral results he expected from it."

Some additional particulars may be given here. The apprentices of the Maison Chaix, for whom there are many special encouragements, are admitted to participate from the 1st of January preceding the close of their apprenticeship. If a workman voluntarily leaves work before the end of the year, he loses all claim to a share in the profits. If he is dismissed, his share is reckoned up to the end of the month preceding his dismissal. But "as the title of participant implies special conditions of stability and attachment to the establishment, no participant can be definitively dismissed without a decision of M. Chaix." In no case is the bonus distributed to exceed 25 per cent. of the wages or salary paid. If there is any surplus over this proportion (as sometimes happens in the bookselling department, a minor division of the business), the surplus is to be divided according to seniority among the employees who can show over ten years' service; this regulation gave each of these men 9 francs for 1879. "The sums to be paid, the dividends, interests, or pensions to be supplied, whether to participants or to the members of their families, are

<sup>1</sup> *Profit-Sharing*, p. 56.

beforehand expressly declared to be free gifts and for alimony, and as such incapable of cession or seizure. It is declared that M. Chaix is sole judge of all claims which may arise in reference to the present regulations. He will, however, hear the opinion of the Consulting Committee. M. Chaix expressly reserves to himself the power of abolishing the present regulations in the event of his not being satisfied with their results."

The motto of the Maison Chaix is "*La Maison pour chacun, tous pour la maison*," ("the house for each, all for the house.") A demonstration of the thoroughness with which the house carries out this sentiment is to be seen in the instruction, primary and technical, which it provides for its apprentices. Although such a provision has no logical connection with participation, it is found almost exclusively, thus far, in profit sharing establishments, and it is a feature from which the opponents of participation itself hardly withhold their applause. The intention of the Chaix school is not only to instruct the apprentices thoroughly in all the different branches of work pursued in the establishment, but also to make sure that they have the wide general information so useful to the printer, and a clear understanding of their duties as citizens and members of the social order.<sup>1</sup> The instructors are mainly drawn from the superior employees or foremen of the house, only a few teachers coming from without. The two hours' instruction every day is given at the time when the foremen and the machinery are most at liberty; this may be changed when there is unusual pressure. The preliminary course comprises four years' instruction in language, arithmetic, geometry, history, geography, reading, and accounts. The technical course

<sup>1</sup> The fullest particulars of the Maison Chaix schools are to be found in the *Notice sur l'École professionnelle de jeunes Typographes de la Maison A. Chaix et Cie*, printed by the house in 1878, a document of extreme value in industrial education.

covers the whole subject of typography and its accessories, the instruction being of the most practical character. Grammar as applied to typography, and readings in Latin, Greek, German, and English, written and printed, are the literary features of this course. The supplementary course introduces the history of printing and of French literature, with the biographies of great printers; the elements of physics, mechanics, and industrial chemistry; lessons in political economy, social science, and common law, which give special prominence to all matters bearing on the welfare of the workingman, such as provident and aid societies, insurance, savings, consumptive coöperation and participation. The elements of political science and commercial law complete this excellent curriculum.

The whole cost of instruction is borne by the house, and it pays each apprentice ten centimes (about two cents) for each day's attendance: at the end of the month the pupil receives the amount for pocket money. The French law requires that every one who proposes to open a school shall first obtain permission from the government. M. Chaix did not suppose that such a school as he wished to establish would come under the law. So he opened it and maintained it for some time without giving notice to the authorities. But a friend informed him that he had rendered himself liable to a heavy fine, and advised him to close the school and trust that the government might not hear of its ever having existed. But M. Chaix was both too courageous and too strongly attached to his school to take such a course. He wrote at once to M. Duruy, the Minister of Public Instruction, to acquaint him with the facts and to ask a bill of indemnity. M. Duruy visited the Maison Chaix, inspected the industrial school, and warmly approved it. When he learned that the apprentice was given ten centimes for each attendance, he laughed heartily, and said to M. Chaix: "Well indeed! people are constantly attacking me for advocating *gratuitous* education, and here you are outdoing me



by paying your pupils for consenting to be taught!" Handsome prizes for the best pupils, from the Minister of Public Instruction, followed upon M. Duruy's visit.

Mr. Sedley Taylor recites the impressions received from a personal inspection of this admirable school. "When I was at the *Maison Chaix* I not only saw the apprentice school in active operation, and satisfied myself as to the excellence of the work done both by teachers and by learners, but asked every man whom I came across in the house his opinion on the results of the institution and on the nature of its organization. The unanimous reply was, that, between two lads equally situated in other respects, one of whom had served his apprenticeship under M. Chaix, and the other in a house conducted according to the ordinary routine, *no comparison at all was possible*. The one was a practically and theoretically accoutred and accomplished workman. The other was a mere rule-of-thumb practitioner, who knew nothing thoroughly, and whose intelligence had received no cultivation whatever. There was equal unanimity in holding that by no other system than a course of instruction given in the house itself, and exclusively controlled by the executive of the firm, could results be looked for at all approaching those attained in the *Maison Chaix*." <sup>1</sup>

The firm of A. Godchaux et Cie, of Paris, has practised participation since January 1, 1872. Their special business, coming under the head of printing and publishing, is the manufacture of writing and drawing books for school use. A great part of the work is done by machinery, some of this being M. Godchaux's own invention, and wages amount to only  $7\frac{1}{2}$  per cent. of the value of the product. The employees number about fifty, but the firm also contracts for the labor of 200 or 250 persons in the prisons. These do the stitching, and their work goes to swell the amount on which the 5 per cent. of profit is annually allotted,

<sup>1</sup> *Profit-Sharing*, p. 59.



but, of course, they are not participants. To be a profit sharer, one must have worked in the house a year, and be a member of the Mutual Aid Society which M. Godchaux founded in 1872. He distributed as an initial bonus, at the same time, 5,000 fr. The number of employees, including women and apprentices, who participated in 1883 was 39, about four fifths of the whole number.

One half of the bonus, equal to 10 per cent. on wages, is paid out in cash. The other half goes to the Retiring Fund, intended to provide pensions for old age, to which M. Godchaux contributed another 5,000 fr. in 1872. After the usual limit has been reached, of 55 years of age and 20 years' service, the employee receives a life pension of 1,000 fr. guaranteed by the firm. In case he is disabled by an accident while at work, he receives a pension amounting to 50 fr. for every year of service up to the limit of twenty. Women are entitled to one half of the sums just mentioned. A quarter part of the pension will be paid to the widow or the surviving minor children. This Retiring Fund, on Dec. 31, 1884, possessed a capital amounting to 98,061 fr. 45 c. The Mutual Aid Society is supported by a fixed monthly assessment of 3 fr. on each workman and  $1\frac{1}{2}$  fr. on each workwoman. It has numerous honorary members among the patrons and friends of the establishment, so that, notwithstanding the smallness both of the number of members and of the assessment, the benefits it affords are considerable. The members have a right, in case of sickness, to medical care and a relief of  $2\frac{1}{2}$  fr. per day from the society, to which the firm adds an equal sum. In 1883 the capital of the society was 19,240 fr., a sum sufficient to provide a pension of 360 fr. in addition to that provided by the retiring fund. The participants do not share in losses, and they have no access to the books of the firm. The total sum paid out in cash bonus up to December 31, 1884, was 72,567 fr. 50 c. Thanks to the large employment of machinery and to the prison contracts, the average increase in the annual wages

of the participants for the first thirteen years was over 21 per cent. The members of the firm declare themselves convinced of the efficacy of the system of profit sharing, and satisfied with the results which they have obtained. On account of the predominant rôle played by machinery in the business, any great increase in the quantity or improvement in the quality of the product was not to be expected. The greater stability of the working force is the advantage which the firm emphasizes especially, participation having created one more bond of union between the men and the house. The Bulletin of the Participation Society for January, 1888, represents M. Godchaux as at present less favorably inclined toward the system, but it is still in force in the house.

Profit sharing went into effect, in the **Montorier Printing House**, in Paris, in October, 1887. The 20 oldest workmen are interested and the number may be increased to 25. The participant must have been five years in the house, and be a member of the Mutual Aid Society. The amount to be divided is 10 per cent. on the net profits, but with each new admission M. Montorier will add 1 per cent. : the division takes place on the basis of seniority and earnings. One half will be paid in cash ; the other half will go to form a capital. A reserve of 10 per cent. on the total bonus is made in favor of the participants, to provide for all contingencies. M. Montorier is president of the consulting committee of six participants, which meets every three months.

Messrs. H. Brière and Son, publishers of the "Rouen Journal," divide profits on the same plan as that followed by the Mame firm, of Tours, and the Masson firm of Paris (to be mentioned immediately). "A coöperative part," amounting to 1 per cent. of the gross receipts, is divided among the members of the force, on the basis of their earnings. Until this bonus equals 10 per cent. on earnings, the Messrs. Brière

engage to make good the deficiency. The firm allows half-pay during sickness, and retiring pensions according to the length and importance of service. From 1866 to 1887 these institutions in favor of the working force received a total of 275,674 fr.

The establishment of G. Gounouilhou, of Bordeaux, prints and issues the two newspapers "La Gironde" and "La Petite Gironde," employing altogether 243 persons. In 1884 M. Gounouilhou, who is a disciple of M. Chaix, allotted 22,000 fr. to 42 of his oldest employees, on the basis of seniority, and announced that thereafter 15 per cent. at least of the net profits would be divided among the efficient employees of both sexes who could show two years' consecutive service in the house. Those who had been seven years or more in service formed a second class. Two thirds of the whole bonus go towards procuring for all the participants retiring pensions. The members of the second class also receive the other third part of the bonus in cash, as a recompense for seniority, divided on the basis of earnings. In 1884 the participants numbered 141, and in 1885, 162; the share of the bonus falling to the account of pensions was 16,000 fr. each year. The second class numbered 78 in 1884 and 87 in 1885; its share was 8,000 fr. There is a consulting committee of 15 members.

M. Gustave Masson, bookseller and publisher, Paris, practises a system which is strictly neither profit sharing nor product sharing, but is practically nearer to the former than to the latter. "I have taken as the basis the figure of the [net] sales rather than the amount of profits, because this is subject to valuations more variable in our business than in any other, while the amount of business done is a sure

index of the prosperity of the firm." A provident and participatory fund receives two thirds of the bonus at 5 per cent. interest, and the other third part is paid in cash. The bonus consists of an allowance of three francs on every thousand francs of net sales up to one million, and of five francs on every thousand above a million. The participant must have served one year, and he enters into his capital after twenty years. At the foundation of the fund in 1874, the sum of 5,290 fr. was divided among ten employees; and in twelve years' operation of the plan, the whole amount distributed was 52,576 fr., the present number of participants being 19.

The great printing and publishing establishment of Alfred Mame and Son, at Tours, one of the largest in France and noted for its *éditions de luxe*, employs a thousand workpeople of both sexes. Profit sharing prevails here, since 1874, on the same basis as in the G. Masson house. In the printing and publishing department the bonus is three francs on the thousand of the annual sales; in the bindery it is 25 francs on the thousand of work done in that department. The firm writes, under date of January 2, 1887, that participation continues to produce the best effects among the workmen and *employés*, and that all are fully satisfied with it.<sup>1</sup>

#### IV. INSURANCE AND BANKING COMPANIES.

M. Alfred de Courcy, managing director of one of the great insurance companies of Paris, the Com-

<sup>1</sup> Compare with the cases included in this section the accounts of the Messrs. Cassell & Co., publishers, in Chapter VI.; and of *The Century Co.*, the *Staats-Zeitung*, the *Public Ledger*, the *Riverside Press*, and *Rand, McNally and Co.*, in Chapter VII.



pagnie d'Assurances Générales, is the chief advocate in France of "deferred participation." This life, fire, and marine insurance company formerly suffered much from the competition of newly formed companies, which drew away its best men by the promise of a larger salary. In 1850 M. de Courcy proposed a scheme for the establishment of a Provident Fund, which should have the effect of retaining in the service of the company all its employees whom it desired to keep. The company contributed to this fund 150,000 fr., and every year it adds five per cent. of its profits. The two hundred and fifty employees receive at least as high salaries as are paid elsewhere. After one of them has been with the company for a full year, he becomes entitled to a right in the bonus. No part of this, however, is paid in cash, but every year the sum due each man is capitalized, and accumulates at 4 per cent. compound interest, until the employee has worked twenty-five years for the house, or is sixty-five years old. He can then purchase, with the sum set to his account, an annuity in the office, transferable to his heirs; or he can invest the money in railway or government securities. Should he prefer this second course, the company keeps possession of the stock certificates, and pays him the dividends. On his death it pays over the principal to the persons named in his will. The annual dividend sometimes amounts to 25 or 30 per cent. on salaries. The employees have no power over the accounts, and are in no way liable for the company's losses. The company has a heavy reserve fund, constantly increasing; the deposits of the employees are thus assured against loss. But M. de Courcy, who has been the especial champion of this form of participation, advises indus-



trial establishments practising it to deposit the Provident Fund in banking houses.

In thirty-seven years' experience, the company finds that the system produces most excellent results. The employees work better than before. It is directly for their interest that the number of men should not exceed the actual needs of the work. Hence in times when business presses they prefer to work over-time, for a moderate recompense, rather than see the force permanently increased.

The company has succeeded perfectly in holding its servants throughout their working career. The numerous provisions in the regulations concerning the tenure of an interest in the Provident Fund have had the effect of causing a practical cessation of desire to change employers. "Each year, by augmenting the account of the employee, makes him feel more strongly the advantage of the deferred participation." In December, 1885, the Fund had on hand 3,736,736 francs; it had distributed 3,843,520 francs. The *personnel* of an insurance company is, of course, of a higher degree of intelligence than can be expected from house-painters, plumbers, or even printers. They are far more likely, therefore, to realize the remote advantage which this scheme of fixed but deferred participation offers them than day-workmen. Employers like M. Marquot, of the Maison Leclaire, agree that M. de Courcy's plan would not provide sufficient stimulus for ordinary workpeople: the benefits it promises are too far off. The common pension fund makes ample provision for their old age; while a part of the yearly profits *in hand* is an argument for zeal much more forcible with them than a deferred annuity could be. But M. de Courcy has proved, be-

yond a doubt, the efficacy of the system he advocates with employees of a high grade. They are fully able to appreciate such instances of the working of the plan as its author gives. A bookkeeper in the company died after fourteen years' service and left an account of 12,000 francs; an assistant cashier, by twenty-five years' service, acquired a title to more than 20,000 francs, and remained in the service to receive an addition of 20 per cent. to his salary; and a superior official, after the same length of service, owned 65,000 francs.

Numerous provident funds have been established on M. de Courcy's plan in France, Belgium, and Germany. Such a one is that founded in 1872 by the Belgian Lloyds, a fire and marine insurance company of Antwerp: its plan follows M. de Courcy's closely, the differences affecting only minor details. In October, 1886, the directors declared their satisfaction with the plan, hoping that it would develop more and more. "A part of the *personnel* were, at the beginning, a little refractory at the idea of not receiving in cash the amount of the division. But they thought better of it when they came to see the results of the accumulation, especially after the decease of two employees of small means, whose widows and children received substantial aid."

The Urban Insurance Company, of Paris (fire and life), also has a fund, dating from 1875, under the same regulations as those of the General Insurance Company. The La France fire insurance company levies, since 1858, 5 per cent. on the annual profits in favor of a provident fund. Of this amount, 35 per cent. is divided among the individual accounts of the employees on the basis of the number of years of service, and another 35 per cent. on the basis of the salaries paid. The remaining 30 per cent. maintains a reserve fund for the reward of exceptional services and the relief of needy employees. The principles of the participa-

tion are in other respects similar to M. de Courcy's. In the **Sun** and the **Eagle**, two associated fire insurance companies, the *La France* plan is modified by making the levy on the annual dividend 3 per cent., and allotting 50 per cent. of this amount on the basis of salaries, and 25 per cent. on the basis of years of service; the remainder goes to the reserve fund, as above. The provident fund of these two companies had allotted 840,000 francs up to December 31, 1883, after twelve years' existence. The **National Fire and Life Insurance Co.**, beside sharing a certain amount of profits among the directors and inspectors, has allotted 2½ per cent. of the annual dividend to its other employees since 1855; the division is based on salaries. The company also contributes 10 per cent. on salaries paid, to a reserve fund intended solely for the reward of its employees on leaving the service.

The **Union Insurance Co.** established participation in 1854; the rate is 5 per cent. Of this amount the employee in the fire insurance branch receives four fifths in cash; in the life insurance branch, three fifths. The remainder supports a retiring fund, which relieves the sick and aged, and pays one half of the premiums on policies intended to secure pensions to the participators. The other half of the premium is subtracted from the cash distribution. This takes account of salaries only, without regard to seniority. The whole sum allotted to the employees of this company from the foundation of the system is over two million francs. The **Franco-Hungarian general insurance Company**, of Buda-Pesth, departs from the programme of the Parisian companies by distributing the whole 4 per cent. dividend in cash; but it is establishing an aid and retiring fund in addition, having contributed 40,000 francs out of the profits of 1884 for a foundation.

The fire and life insurance company of Paris known as the **Bee** (*L'Abeille*) leaves the amount of the annual distribution discretionary with the stockholders; salary is the

basis of the allotment, as in other companies, but the control of the employee over the sum standing to his account is greater. After five years' service he can dispose of one quarter part; after ten years, of one half; after fifteen years, of three quarters; and after twenty years, of the whole. This feature, which is a modification of M. de Courcy's system in the direction of "immediate participation," we also find in the regulations of the Prussian *Boden-Credit-Aktien* (*Crédit foncier*) Bank, of Berlin, which employs over sixty men. Each employee, after six months' faithful service, has an account opened to his credit in the Savings and Relief Fund. He receives the same percentage on his salary, but not to exceed 10 per cent., as the stockholders get on their stock in dividend; he comes into possession gradually, as in the Bee Insurance Co. The bank issues its notes in payment of the accounts, and thus insures the personal interest of the employee in its prosperity. Eleven years' experience, from 1875 to 1886, showed no need of modification in the regulations of this fund. It has met every expectation, contributing to the welfare of the participants, and inspiring confidence in their future.

The system practised by Messrs. Vernes and Co., bankers, of Paris, since 1871, works on the lines recommended by M. de Courcy: the firm determines the amount of its contribution to the provident fund according to the last year's business. Two years' service are necessary to qualify an employee for participation, and he receives the usual 4 per cent. interest on his account. In the same category belongs the stockbroking firm of Rolland-Gosselin: its provident fund counted thirty-three participants in November, 1886. The discount bank (*Comptoir d'Es-compte*) of Rouen has practised participation in a twofold form since 1875. The superior employees receive an allotment of 5 per cent. on profits, in sums determined by the directors; the lowest amount received by any one of them in twelve years was 200 francs, the highest 3,500 francs; the



total sum allotted in this period was 311,135 francs among 24 to 27 persons. The inferior employees who had been ten years in the service of the bank received, up to 1882, one tenth part of the annual statutory reserve of 20 per cent. The reserve having reached its permissible limit in that year, the annual excess was thenceforth carried to the account of these employees in proportion to their salaries. The ratio of bonus to salary has varied in the years 1882-86 from 12 to 18 per cent. Finally, to close this list of financial institutions which practise profit sharing, the *Deposit Company* (*La Société de Dépôts*), Place de l'Opera, Paris, founded in 1880 a provident, since converted into a retiring, fund. The company endowed the fund with 200,000 francs, and it has since received 2 per cent. of the annual profits, 5 per cent. of this sum being spent on exceptional-aid cases. The two hundred or more employees receive allotments according to their salaries, but the retiring pensions they may attain are in no case to exceed 8,000 francs.

## V. COTTON AND WOOLEN FACTORIES.

Messrs. G. Steinheil, Dieterlen and Co., at Rothau in Alsace, are an old firm, dating back to 1806, of cotton-spinners, bleachers, and calico-printers: they now employ 600 workpeople. Beginning with the year 1847, they divided 10 per cent. of their profits with the employees. This was a *collective* bonus, spent in supporting various institutions for the good of the workpeople. In bad years these institutions bore the same percentage of the losses. In 1868 this collective bonus was reduced to 7 per cent., and an individual bonus of 5 per cent. of the annual profits was added. But the years 1868-72 were very bad for the cotton industry of Alsace. The losses were so heavy that it was out of question to divide them with the workmen. In 1872 the house became a joint-stock



company with a capital of 2,200,000 francs ; it then renounced the idea of loss sharing, and so modified the system of profit sharing that this now operates in the following manner : Capital first receives 5 per cent. interest. Out of the remaining profits, the managers, beside their fixed salaries, claim a minimum allowance of 5,000 francs apiece ; in case of need, the reserve fund, to be mentioned, may be drawn upon to make good this allowance, which is never to exceed 30 per cent. of the profits. Sixty per cent. falls to the stockholders, out of which they must maintain a reserve fund (their own property, of course) not to exceed a maximum of 450,000 francs. The remaining 10 per cent. is the share of the employees : two fifths of this, at the utmost, go to the individual workmen, and three fifths to their account, to support the mutual aid, retiring, and widows' funds, to render exceptional aid, and to pay for educational classes and the library expenses.

The mutual aid society includes the whole body of workers. Its capital is most usefully employed in making loans to the men who are building houses for themselves. "I cannot sufficiently insist," says M. Steinheil, "upon the utility of this mode of placing disposable funds, and my insistence will be understood by all who know how much the possession of the humblest cottage favors family life, and what opportunities of material and moral progress are afforded by the change from the position of the landless proletariat to that of the landed proprietor."

The first two years' business under the new plan gave no bonus ; but from 1875 to 1884 the bonus varied from 3,408 francs to 12,220 francs, the average for the ten years being 8,246 francs. Piece work is

the rule so far as possible in these mills. Wages amounted in 1873 to 325,148 francs (including the sub-directors' salary); the value of the product was 2,665,098 francs. Consequently wages were equal to one eighth of the year's product, as they also were to one seventh of the capital, taking the nearest fraction. M. Steinheil is a warm friend of the system of profit sharing, and has forcibly expounded it in several writings.

In the same region of Alsace Messrs. Schaeffer, Lalance and Co. carry on the business of bleaching and dyeing, and of printing and finishing cottons and woollens, at Pfstadt, near Mühlhausen. They employed in 1877 about a thousand persons, only one fourth of whom had been with them more than five years: in 1885 the number was 1,054. In order to form a *noyau* of good workmen, directly interested in the success of the establishment, the firm introduced profit sharing in 1874. The overseers and the workpeople selected by the managers constitute the "first class," which receives a bonus: the other workpeople simply enjoy the benefits of the aid and retiring funds. The members of the "first class" must be 25 years old, well-behaved, capable, zealous, and temperate. The amount to be divided is fixed each year by the firm. Each worker's bonus varies with his earnings. One third part he receives at once; a second part is placed to his credit, at 5 per cent. interest, in a savings-book; and the other third is kept over by the firm, to the end of the next year at the same rate of interest, and added to the bonus for that year. This provision has a tendency to retain the employee in the factory, although the average sum affected by it is not large. The house could not extend the system more widely without making the shares too small; but it has a list of 100-200 *aspirants*, who will gradually be brought in, until one third of the whole force is thus interested. In 1874 the number of participants was 112; in

1883 it had gradually risen, in accordance with the expectation, to 349. The total wages increased from 113,619 francs in 1874 to 349,026 francs in 1883 (salaries being some 250,000 francs more). The bonus paid rose from 11,362 francs in 1874 to 20,942 francs in 1883. The increase in the three items was constant, save in 1881.

The total bonus paid out in the ten years amounted to 165,684 francs : of this sum, only 3,072 francs were lost to individual participants by their departure from the establishment. " Our aim to render our workmen more stable has been attained. There will always be departures, arising from various causes ; but what we have succeeded in defeating is departure without reflection and without cause." The number of participants has now almost, if not quite, attained the limit set : one third of the whole force. The bonus may reach 25,000 francs in prosperous years, but there is no provision for its increase beyond this sum. The consulting committee embraces two overseers, four workmen, and one workwoman. The moral effects of the system of participation " are very appreciable. None of the participants or of the aspirants loses an hour of work without excuse, and there is rarely occasion for complaint of the service."

The firm of Schoeller and Lang, wool-spinners, of Schaffhausen, Switzerland, runs 17,000 spindles and employs 300 hands. It was established in 1867 by M. R. Schoeller, who, in passing over the business to the corporation that succeeded him, made the unusual, if not unique, condition in the bill of sale that profit sharing should be continued. While the establishment was in the hands of the private firm, the percentage of profits to be distributed, though fixed, was not made known, there being, of course, no access to the accounts by the employees. The basis of division was the earnings, with some consideration for seniority. Before the bonus was paid, the sickness fund was so fully

provided for that the workmen did not need to contribute to it. There is, from the nature of the business, an extreme variability in the bonus, years of great profits counterbalancing very bad years. The best efforts of the workmen have no effect on the considerable variations in the price of wool. To equalize things, Messrs. Schoeller and Lang adopted this expedient. When the balance-sheet shows a loss, participation is debited with a certain per cent. of the deficit. This sum is then carried over, free of interest, to the account of the workmen's profits in later years; but it is extinguished gradually, so that the employee may receive the larger part of the bonus falling to him each year. The first considerable division was of 5,000 francs for 1870; in 1871 the bonus was 34,000 francs (probably including the Chessex and Hössly mill, owned by M. Schoeller, and to be mentioned next). After 1871 there were some years of loss. In 1885 the firm became a joint-stock company, and the statutes stipulate that 10 per cent. of the profits, after allowing 5 per cent. interest, shall be credited to the workmen. This sum goes to support the sick aid, to pay for accident insurance policies, and to furnish rewards and pensions. A large part of the bonus, in these last years, has been applied to the establishment of modest pensions for the old age of workmen employed more than twelve years. No reward is paid at once: it is credited on a savings book with interest, and may be drawn, one half after six months, and the whole after twelve months. The administrative council has the whole management of the participation.

The house of Chessex and Hössly, Schaffhausen, was also founded by M. Schoeller, and its 45 male and 105 female employees enjoy profit sharing under substantially



the same system as that just detailed. But the firm reserves a part of the profits to give a small bonus in bad years. A small fraction goes to the aid fund, which the firm supports: the rest is put at interest. After it has been on deposit a year it draws a higher rate of interest, as do voluntary savings also. The bonus averages about 5 per cent. increase on annual wages, the latter amounting to one fifth of the product, between one third and one fourth of the value of the plant, and between one fifth and one sixth of the working capital. The older workmen and the overseers have a more important share than the ordinary hands. "The organization is highly appreciated by the workmen. There exists no 'social question' in this establishment." In 1877 the firm wrote: "We are satisfied with the results of our trial of the system of profit sharing;" and in 1885: "The good results which we have obtained engage us to maintain profit sharing and the savings bank."

The great Rossi Woolen Mills at Schio, Italy, employing 5,000 hands in 1883, belong to a corporation with a capital of 24,000,000 *lires* (or francs). The annual wages in the same year were 3,800,000 francs, equal to 22 per cent. of the value of the product. The company, while paying wages at least 15 per cent. higher than the average, devotes 5 per cent. of the net profits since 1873 to improving the lot of its work-people. This sum, equal for a given period of four years to  $1\frac{1}{4}$  per cent. on wages, maintains a great variety of institutions, — a crèche, infant and primary schools, aid, retiring, and building funds, a coöperative distributive store, a theatre, library, gymnasium, etc. The 5 per cent. bonus varied in amount in the period 1873–1883 from 30,000 to 62,000 *lires*: from 1877 to 1881 the donation was continued, although the stockholders received only 6 per cent. interest, after depreciation was allowed; but "they have always recognized



that the satisfaction thus given to the employees, and the spirit of concord so awakened, are primary elements in the prosperity of the business; the management considers the expense of these philanthropic institutions as only proper aid to its force of workers."

The spinning mill of Oissel (Seine-Inférieure), founded in 1860 by M. Octave Fauquet, became in 1884 the property of a joint-stock company. It runs 45,000 spindles, and employs 320 workpeople, wages being about 40 per cent. of the amount of sales. In 1877 M. Fauquet, having overcome the objections of his partners, established a provident and retiring fund with an endowment of 30,000 francs, which was increased each year by an indeterminate sum, averaging about 5 per cent. on the net profits. The endowment and the bonus are both divided according to the importance of the services rendered by the various employees. There are between 150 and 160 participants (they must have served the firm five years), but each receives from 1 to 10 parts out of the 600 into which the endowment and the bonus are divided, and this division is made afresh each year. The employee receives one third of his bonus in cash: after ten years' service he can dispose of one half of his capital in the fund, where it has been receiving 4 per cent. interest; after twenty years, he is entitled to the whole of it. Between 1877 and 1885, the bonus varied from 5,000 to 20,000 francs; the whole amount being 92,000 francs (exclusive of the endowment).

M. Fauquet took pains to explain carefully the principles of his scheme to his workpeople. These explanations at first, he says in 1883, "had no great chance of being understood. But I have seen that later the men had been thinking them over and grasp-

ing them. Thus we have seen, in the first four or five years, a notable diminution in the general expenses of running the machinery. At each annual assembly of the workmen I talked to them on this point. There has been no additional progress in the last three or four years, but I consider that we have realized a serious and permanent gain. . . . It is certain that profit sharing has fixed in our employment the fathers of families, the workmen who command, those who have influence over others. As for its effect on the young people of both sexes, it has been *nil*: they are extremely mobile, and easily change from one employer to another, and from this business to that."

In the calico manufactory of M. Charles Besselièvre, at Maromme (Seine Inférieure), a system of sharing profits similar to that in the Oissel mills, and patterned on that of Schaeffer, Lalance and Co., has been in effect since 1877. Out of the 250 employees about one half are qualified, by 5 years of service and 25 years of age, to draw a share of profits based on their earnings. The bonus as yet is at the discretion of the firm, but it will become a definite percentage in time. Between 1877 and 1885 the amount varied from 10,000 to 20,000 francs, the number of participants from 96 to 126, each receiving an actual increase of annual wages varying from 7.64 to 17.36 per cent. in this interval. The cash payment is one half of the bonus: the other half forms the provident fund, each man's share being payable after the usual time. There is a consulting committee of twelve.

"The workmen," wrote M. Besselièvre in 1883, "have perfectly comprehended the advantages of the system from every point of view: they have made a good use of the immediate payment in meeting their rent, or in making savings (in March, 1887, the bank of the factory held 123,000 francs to the credit of the employees). Already attached

to the house, they have felt that the existing bonds should be strengthened by the solidarity which participation in a common work establishes between them and the master. By their vigilance and their assiduous pains, they have learned how to make real economies by which the firm has profited, and the feeling between them and the head of the house is such that they take pleasure in saying *our* factory, *our* calicoes. . . . The experience of six years allows us to add that the employer himself has an interest in associating his workmen in his profits, above all in great industries, where superintendence is less direct, and *leakage* more easy. Under organized participation the workmen themselves exercise this superintendence, and we may cite the example of that participating workman in one factory, charged with oiling the machinery, who economized in one year an amount of oil of greater value than the bonus he was to receive. We are also led to add that for six years participation has cost us nothing, and that the 80,000 francs distributed to our colaborers have been gained by the firm above the normal profits of our industry."

Cohin et Cie., of Paris and Lille, are a large linen manufacturing firm, established in 1846, with a capital of nine million francs. Their regulations allow 5 per cent. interest on capital and a variable sum for reserve: of the remaining profits, 10 per cent. go to increase the salaries of the *employés*. In the forty years 1846-1886 the total bonus amounted to 2,180,419 francs.

The Société linière du Finistère, at Landerneau, was founded in 1845, for the manufacture of linen, jute and hemp, with a capital of 2,397,000 francs. Profit sharing was introduced in 1880. Five per cent. interest on capital, and the same on the reserve fund, three per cent. on the amortization fund, and the same on the building fund, are first deducted from gross profits. Of the remainder, eight per cent. falls to the employees and two per cent. to the workmen's aid fund.

## VI. IRON, BRASS, AND STEEL WORKS.

The Familistère founded at Guise (Aisne), France, by the late M. Jean Baptiste André Godin, has a world-wide reputation. The Social Palace itself, a marvel of ingenious philanthropy, which realizes successfully some of the characteristic ideas of Fourier, lies outside the lines of this present work. English readers can now easily inform themselves concerning this unique enterprise, the success of which entitles M. Godin to a high place among the social reformers of the nineteenth century.<sup>1</sup> He was the son of a worker in iron, and even before his apprenticeship had conceived the idea that he was destined to set a great example to the industrial world. The ambition of the timid boy has been strangely realized.

Leaving out of view the Social Palace, with its co-operative stores, its nurseries, schools, library, and theatre, we will confine ourselves here to a brief account of the industrial organization proper, which of itself gives M. Godin an honorable rank with such "captains" as MM. Leclaire, Laroche-Joubert, and Boucicaut. The business carried on in the great foundries at Guise is the manufacture of cast-iron wares for the kitchen and general house use, and of heating apparatus of various kinds. M. Godin was the first man in France to use cast iron in making stoves, in place of sheet iron; this was but one example of his inventive powers. He began in 1840, with 20 workmen, the manufacture which employed

<sup>1</sup> *Harper's Magazine* for April, 1872, contains an article, fully illustrated with woodcuts and plans, on "The Social Palace at Guise," founded on M. Godin's *Solutions Sociales* (which was translated in 1887 by Marie Howland). The number for November, 1885, has a second article, by Edward Howland, based on M. Godin's *Mutualité Sociale*, and bringing the information down to that date.



in 1883 over 1,400 at Guise and 300 in the branch establishment at Laeken, in Belgium. From the beginning there was an organization for mutual aid among the workmen, assisted by the proprietor. The *Famili-stère* was opened in 1860 ; but it was not until 1877, owing to the obstacles presented by the French law to the plan which he had in mind, that M. Godin introduced participation by the workmen in the profits of his gigantic establishment. He encountered also a curious difficulty, which reminds us of M. Leclaire's first year, in the ignorance and misdirected credulity of many of his employees. They lent a believing ear when told that M. Godin was deceiving them, and that profit sharing was a new device to make slaves of them ! On the day of the first distribution, when the director wished to divide more than 100,000 francs, giving this man 200 francs and that man 300 francs, the greater part of the workmen refused to accept anything : " We don't know why he should be giving us that ! " M. Godin put the shares on deposit, and gradually the workmen came, one by one, to draw them. This is an amusing indication that M. Godin was far from finding his participators in a state of enlightenment.

For 1877-79 the entire bonus was paid out in cash : in these three years it amounted to 172,266 francs. But in 1880 the establishment became a joint-stock company with limited liability, and the system of profit sharing was begun which still obtains there. M. Godin's main idea was gradually to transfer the ownership of the business and of the associated *Famili-stère* into the hands of his workmen. The details of the system of profit sharing which he adopted were calculated with a view to this end. The profits of the year's business, after allowance is made for operating



expenses, suffer these deductions : First, a charge of 10 per cent. on the value of the movable property of the society, and another of 5 per cent. on the immovable property, for depreciation ; second, 5 per cent. interest on capital ; third, a certain amount for the educational work of the *Familistère* ; and fourth, a sum equal to 2 per cent. of the wages and salaries of the year for the benefit of the pension fund. The net profits remaining are then divided according to the following scheme : The Reserve Fund receives 25 per cent. ;<sup>1</sup> a second 25 per cent. goes to the management ;<sup>2</sup> and the remainder is allotted to capital as a super-dividend, and to labor as a bonus on wages. The usual interest on the capital of the establishment, and the whole amount paid out during the year in wages and salaries, are added together. The proportion each sum bears to the total amount determines the shares of capital and labor. Thus in 1880 interest amounted to 230,000 francs, and wages to 1,888,000 francs. The bonus to labor was, accordingly, a little over eight times the amount of the super-dividend to capital. At Coulommiers, in *La Providence* tannery, the basis is formed by adding together the capital itself and wages. The difference between the two plans of computation is thus very greatly in favor of the participant at Guise. He is not entitled, however, to receive any part of his bonus in cash ; it is all capitalized and applied to the purchase of shares in the business.

<sup>1</sup> Since the Reserve Fund reached its limit of 460,000 francs, its quarter part has been applied to the purchase of shares on account of the association : these bear no interest.

<sup>2</sup> Of this M. Godin was entitled to 12 per cent., the Council of Administration to 9 per cent., and the Council of Superintendence to 2 per cent. ; the remaining 2 per cent. is distributed by the latter council in rewards for extraordinary services, such as the suggestion of new devices or processes.

No workman is admitted to participation who is not the owner already of a share. But the facility of purchase is great, and the interest on his stock adds materially to the income of the average workman. M. Godin was gradually disposing of his capital to the workmen up to his death, and this process will go on until Madame Godin simply retains the direction of the business. But when this shall have happened, the oldest workmen shall, in like manner, release their shares to the younger, in order to keep the ownership of the establishment in the hands of the actual workers from generation to generation. In this way a true coöperative productive house will be formed within ten or a dozen years. M. Godin's capital in 1880 was 4,600,000 francs: the whole capital of the house in 1883 had risen to 6,000,000 francs, and of this sum 2,753,500 francs were held by various employees in October, 1887.

The organization of the workmen as participators forms quite a hierarchy. At the bottom of the scale are the "auxiliary" employees, who, owning no share in the business, have no part in the bonus, but enjoy the full benefits of the pension and aid fund. Next come the "participants," who must be 21 years of age, and have worked one year in the foundry: they are selected by the Director and the Council of Administration. The same is true of the "societaries" (*sociétaires*), the following grade or class, who must have been employed for three years; they must also reside in the Social Palace. At the head of the participating workmen stand the "associates" (*associés*), consisting mainly of older employees, and corresponding more than either of the other two classes to the *noyau* of the *Maison Leclaire*. The "associates" must own at least 500 francs' worth of stock; they must be

engaged in work, and have their home in the *Famili-stère*: they elect new members themselves. This body had a natural origin in the circumstances attending the early years of the establishment. The workmen who both understood and appreciated M. Godin's plans were chiefly those who had been long in his service. He did wisely in admitting no others, at first, to a share in the profits. The conditions of seniority, good conduct, and capacity, which had formed this nucleus, naturally prevailed in continuing its existence. The associates themselves were thought to be the best judges in admitting new members. They will furnish Madame Godin's successor from their ranks.

In the division of the bonus each "participant" can claim one part, each "societary" one part and a half, and each "associate" two parts. In 1887 there were 93 associates, 209 societaries, and 491 participants, so that the whole number of workmen admitted to a share in profits was 793.<sup>1</sup> The bonus of the three classes amounted in 1882 to 30 per cent., 23 per cent., and 15 per cent. respectively, on their wages. From January 1, 1880 (when the bonus ceased to be payable in cash), until December 31, 1883, the sum of 1,969,000 francs was applied to the conversion of shares in the business in favor of the workmen, individually and collectively (including the shares constituting the reserve and pension funds). During these four years the workmen also received in cash 185,000 francs as interest and dividend on their stock. Here follows a table exhibiting the number, size, and total and average values, of the shares held by M. Godin's employees on the 30th of June, 1883.

<sup>1</sup> The so-called "interested" (*intéressés*) are not workmen, but persons who, through inheritance or purchase, have acquired an interest in the establishment, but have no other relation to it.

SIZE OF SHARES.	NO. OF SHARES.	TOTAL VALUE.	AVERAGE VALUE.
<i>Francs.</i>		<i>Francs.</i>	<i>Francs.</i>
100 and less	133	10,426	78
101-500	188	52,840	231
501-1,000	167	132,662	794
1,001-5,000	318	706,010	2,220
5,001-10,000	12	83,631	6,969
10,001-15,000 <sup>1</sup>	2	22,231	11,115
25,001-50,000	4	131,941	32,985
Over 50,000	3	829,508 <sup>2</sup>	—

“What struck the workmen most of all,” said M. Godin to the French Commission of 1883, referring to the speedy disappearance of their prejudices, “was to see such a one of their number, who had in the previous year been allotted 200 francs, receiving 10 francs interest and a part of the profits [as a share-owner], independent of that to which his labor gave him a claim. To-day we have workmen who draw every year from 100 to 200 francs interest.” M. Godin himself enjoyed this substantial income in 1883: In interest at 5 per cent. (on his capital of 3,090,420 francs), 154,521 francs; in salary as Director, 15,000 francs; as dividend on his labor as an “associate,” 4,785 francs; as super-dividend on his capital, 24,646 francs; and in dividend as Director, 60,387 francs, — a total of 259,339 francs. The rate of dividend to capital and labor was 3.60 per cent. in 1886, and 7.66 per cent. in 1887.

The organization of provident funds in the *Famili-stère* corresponds to the magnitude and thoroughness

<sup>1</sup> There is perhaps an omission of the shares ranging from 15,001 francs to 25,000 francs, in the table in the *Arbeiterfreund*, No. 4, for 1884, here copied.

<sup>2</sup> Reserve and Pension Funds included.



of the other institutions. The pension fund possessed a capital in 1887 of over 850,000 francs. When old age comes on, or the workman is for any other reason disabled from working, he may claim a pension which varies according to his rank and seniority. If an associate, he is entitled to a sum equal to two fifths of his wages; if a societary, he enjoys one third of his wages. Participants and auxiliaries receive a pension varying from one franc a day after 15 years' service, to two and a half francs a day after 30 years' service. If the disability results from an accident, the sum is increased. In 1884 there were 43 pensioners. The pension fund also secures to every person, man, woman, and child, a sum necessary for his decent support, on the basis of a scale which M. Godin carefully fixed. If the income of any person or family falls short of the assigned sum, the deficiency is made up from the pension fund. This is one of the most noteworthy features of the constitution of the *Familistère*. During the three years 1881-83 the expenditures by the pension fund were 91,426 francs. A sick fund and a medicine fund provide for all cases of sickness.

The Council of Administration includes the Director, six or more heads of the various departments of the industry, and three "associates" elected by secret ballot by their fellows. There is also a Council of Industry and a Council of the *Familistère*, largely composed of the same members as the Council of Administration. Wages (they are mostly for piece work) are determined through one of these councils, in consultation with the workmen.

We may easily agree with M. Godin, in his testimony before the Commission of 1883, that, from the industrial point of view, the facts which we have briefly



noted are more convincing than any possible eulogy. "Since the association was established, the workmen interest themselves in the improvement of the product. They are careful to point out sources of loss, and the causes of failures in the work; much more, they take pains to find out new ways and means, and we are often obliged to take out patents in the name of the society.<sup>1</sup> I should say that I contribute in a certain degree to these inventions. But formerly, in my industrial career, I was obliged to do everything myself: when the idea was conceived, I had to elaborate and apply it. To-day I say to my coöperators, 'Seek in such a direction; there is something to be done there.' They do it with enthusiasm, eager to arrive at a result." The character of M. Godin's business, the manufacture of wares in steady demand, mostly executed on piece wages, and in the production of which labor has an important part, conspires with profit sharing and the progress toward complete coöperation to excite the participants to the utmost, and to produce a very high degree of industry, care, and efficiency.<sup>2</sup>

The Ilsede Foundry at Gross Ilsede, in the magistracy of Hildesheim, Prussia, has long been known as a model in respect to its benevolent institutions of many kinds. In 1869 profit sharing was introduced in this form: A savings bank, open to all the employees (639 in number in 1876), pays 5 per cent. interest on deposits; and whenever the profits of the foundry give a dividend on capital above 5 per cent., the deposits which have been in the bank a year receive a

<sup>1</sup> In 1885 there had been issued, in the names of M. Godin and the society, 180 patents.

<sup>2</sup> M. Godin died January 14, 1888: as he had not exercised his right of naming his successor, the associates have chosen Madame Godin to fill the place, the corporate name being *Veuve Godin et Cie.*

supplementary interest, so that the workman's deposit shall fare as well as the stockholder's capital. The limit of the double interest is set at 20 per cent. Its amount for the years 1869–1883 varied as follows: In 1876 it was 6 per cent.; in 1875 and 1877,  $6\frac{2}{3}$  per cent.; in 1869, 8 per cent.; in 1870, 9 per cent.; in 1871, 1878, and 1879, 10 per cent.; in 1872, 18 per cent.; in 1873, 1874, 1880, 1881, 1882, and 1883 it reached the limit of 20 per cent. In 1883 the number of depositors was 566, and the amount on deposit was 645,889 francs, which may be considered as so much capital invested in the business by the employees. The *Workmen's Bank*, likewise open to all, is supported chiefly by a compulsory contribution of 3 per cent. on wages, to which the firm adds an equal sum: its capital in 1883 amounted to 378,135 francs. The fund for the widows and orphans of the inferior employees receives a grant equal to 10 per cent. of the salaries paid, in every year when the dividend to stockholders is 5 per cent. or more. The amount of this fund in 1883 was 109,165 francs. Another fund for the widows and orphans of the upper workmen is supported by a monthly contribution of 7 francs 80 c. from each member, and the house makes a yearly grant equal to the whole amount of these contributions: this fund amounted in 1883 to 62,140 francs.

In the iron foundry and machine works of Messrs. Windhoff, Deeters and Co., at Lingen, Prussia, the element of chance enters into the limited participation. Since 1872, in every prosperous year, the firm allots 10 per cent. of the net profits to the men who have served ten years. The amount is divided into shares of 375 francs each, and when the number of men qualified is greater than the number of shares, these are drawn by lot! But the

next year the unlucky ones receive their shares first, before the new division is made. The number of participants in 1877 was 14, out of the 300 employees. The firm maintains retiring, sick, and accident-insurance funds; and interests itself heartily in the physical and mental welfare of its men. Messrs. Windhoff, Deeters and Co. wrote in 1877: "Although the period of trial has been too short for us to be able to give a judgment as to the efficacy of this organization, we should yet state that, in the midst of the difficulties of the present crisis, we have been remarkably seconded by the exceptional services and the goodwill of our men, and that, thanks to our institutions and to the influence exercised over the great body of our employees by the few participating workmen, there reigns throughout the establishment an excellent spirit."

The **Kaiserslautern** (Bavaria) foundry and manufactory of heating apparatus employs 260 men. Of these the employees, the overseers, and the oldest workmen receive, since 1873, 10 per cent. of the annual profits, after 4 per cent. interest, reserve and depreciation have been allowed for: this was equivalent in 1874 to more than 7 per cent. on earnings. The common workmen also, at first, had a cash bonus, when trustworthy and showing five years' service; but after a short trial of this plan, their share was deposited in an aid and retiring fund established in 1873 with a gift of 10,712 francs. The bonus thus deposited in 1872-73 was 13,900 francs, and in 1873-74, 16,869 francs; in 1884 the total amount on hand was 47,500 francs. The Kaiserslautern workmen, according to the manager, did not appreciate the generosity of the firm when the bonus was paid in cash, and even now they are grateful only when they are in actual enjoyment of the benefits of the aid and retiring fund.

Messrs. **K. & T. Moeller**, iron founders and engineers, of **Kupferhammer** (Prussia), have since 1874 granted their employees, who engage to give three months' notice of

intention to leave work, the privilege of depositing their savings with the firm. The amount must be at least 125 francs; it is considered as a loan, and receives the usual dividend on capital beside  $4\frac{1}{2}$  per cent. interest. When there is a deficit, the loss must be made good in following years before these deposits can be entitled to a dividend: a participation in losses is thus incumbent on the employees. In 1878 there were but four of the upper employees who took advantage of this provision. The Messrs. Möller indicated in 1878, as the reasons of this fact, that the system was begun in a time of depression in the trade, and that they informed the men that it would probably be for their own interest to put their savings at 5 per cent. into the bank kept up by the firm, rather than to take  $4\frac{1}{2}$  from the firm, with the prospect of no dividend for several years. The three months' notice also served to make the number of depositors small. "It is not, then, possible for us to pronounce now upon the efficacy of this system; yet we have no reason to think that more favorable circumstances would not have occasioned better results." The establishment has not made any more recent communication on the subject; the case is included here mainly for the sake of completeness.

The Piat Establishment, an iron foundry and building concern, of Paris and Soissons, employing 400 men, has always taken great interest in the welfare of its employees. The mutual aid society dates back to 1850, and in 1876 it was financially strong enough to create a retiring fund, giving modest pensions, which M. Piat almost doubled, for the older workmen. Accident insurance at the expense of the firm, a library, schools, and a musical organization showed his disposition toward his employees. In 1881 he advanced to a trial of profit sharing. The participants must be members of the mutual aid society, and have



five years' standing in the house. The sum allotted is not yet a fixed one, but M. Piat intends to make it a definite percentage after some years' experience of the plan. One half of the bonus is paid in cash; the other goes to a retiring fund. In the year 1881-82 the bonus was 27,838 francs: it gave each participant  $8\frac{1}{2}$  per cent. on his earnings. In 1882-83 the percentage was 7.6; in 1883-84 it was 3; 1884-85 and 1885-86 were bad years in the iron trade, as in business at large. In March, 1887, the sum standing to the credit of the workmen was 76,192 francs.

M. Piat gave interesting testimony in 1883 concerning that novelty in profit sharing establishments, a strike. "Last year the foundry business had its labor trouble, and my workmen were out two months on a strike, like their comrades. Plainly this was not pleasant; but it must be said, in excuse, that in the first place participation existed, indeed, but only theoretically, so to speak, for they had not yet received any bonus; then they were afraid of their fellow-workmen, who were very violent and had intimidated them. The proof that they were not in the number of those determined and malevolent strikers whom one finds in every industrial difficulty, is that they were apostrophized in every meeting and considered false brethren; and further, they were the first to reënter their foundry without conditions, and their example carried along all the other men in their business. Last year at this time, none of them troubled himself or appeared to think about participation. To-day it occupies them much more and preoccupies them. The workman who is ready to leave the shop, for one reason or another, thinks of it twice. Two years more of this régime, and these sentiments will certainly increase in intensity."



The Fives-Lille Company, machinists and builders, employs from 2,500 to 3,000 persons in its two establishments, one at Fives, France, the other at Givors. For the workmen proper, in each place, it supports since 1883 a provident fund, by a levy of 8 per cent. on the annual profits. After paying for medical attendance, miscellaneous aid, and prizes out of an additional 2 per cent., the remainder also goes to the same fund, which provides life pensions after the usual limit of age and service is reached. The participant must be 22 years old, and have served three years.

M. le Marquis de Vogué is president of the Administrative Council of the Mazières metal works near Bourges, France, which have been in his family since their foundation. He practises profit sharing on M. de Courcy's plan of deferred participation. In 1882 the retiring fund was endowed with 80,000 francs for the benefit of the workmen under 50 years of age, and with 70,000 francs for those over 50. The annual bonus, to the workmen employed more than three years, is thus far an indeterminate sum.

M. Paul Moutier, manufacturer of hardware, at Saint-Germain-en-Laye and Vesinet (France), introduced profit sharing among his 90 employees in 1882. Beside contributing about 1,600 francs a year (so much for each workman) to an aid fund, he divides 25 per cent. of his net profits among the workmen who have served three years. When the employee's bonus is less than 100 francs, it all goes into the Retiring Fund; when it is more, a part is paid in cash. M. Moutier also retains five centimes on each man's day wages, to be deposited to his credit in the same fund, this deduction amounting, on the average, to 700 francs per year. Ten per cent. of the bonus goes each good year to form a reserve fund, out of which a bonus may be drawn in bad years. On the receipt of a written request M. Moutier will communicate to any workman a copy of the annual inventory on which the division of profits is based; but he recognizes no right of criticism of his man-

agement: "those who do not approve of it are free to withdraw, or not to enter the establishment." In the first five years 27,948 francs were divided.

Concerning participation as practised in the **manufactory** of telegraphic and electrical apparatus at Neuchâtel in Switzerland, Dr. Böhmert gives the following imperfect information: 'The employees of three years' standing have a share, according to their earnings and their zeal, in a certain sum levied on the annual profits. The shares, which vary from 20 to 150 francs, remain in the business at 5 per cent. interest for a year: whoever leaves before that time has expired loses his share. The manager wrote: "In general the sensible workmen are satisfied, and participation exercises a favorable influence over them; but the irregular and discontented workmen remain such."

Reishauer and Bluntschli, tool manufacturers, of Zurich, Switzerland, employing 70 men, agreed in 1872 to give the oldest workmen, employed six months in the establishment, an indeterminate share in profits, divided on the basis of seniority: the sum was to be deposited in a city savings bank. In 1873 ten men thus received 875 francs, in shares varying from 33 to 172 francs; in 1874 the bonus was 450 francs, but in 1875-76 no profits were made. In 1874 the firm wrote: "The results of our organization are very advantageous: we have the sure proof of this in the mutual oversight of the workmen, in the care with which they save the waste, etc." In 1877 they say: "When we informed the workmen of the bad showing for 1875 and 1876, we were thoroughly persuaded that they understood the situation perfectly, and in fact our communication was not at all unexpected. . . . Our remarks in general, then, concerning the influence of participation on the workmen, are favorable. . . . In the difficult times through which we are passing we have only praise for the goodwill and the good sense of our men. We attribute the greater part of this result to the institutions of the establishment, and to our manner of treating our force."

Of the institution of profit sharing by the Norwegian economist Helge Väringsaasen, in the foundry Aadals Brug, Norway, Dr. Böhmert gives a brief account. Since 1870 the force of 60 men have received half of the net profits. For 1871 the division gave 9,226 francs, the portions ranging from 112 to 280 francs. A committee of three workmen may examine the accounts. "This organization has given excellent results. The excess of receipts over expenses, increased by a multitude of small economies before unknown, has sensibly increased."

Caillard Brothers of Havre, France, builders of marine apparatus, such as capstans, pumps, etc., distributed 4,000 francs among their employees in 1880; and they have every year since allotted to their superior employees who have served more than six months, and to others who have served two years, an indeterminate sum (which they intend to make a definite percentage), according to the usual conditions of age for enjoyment of the accumulation.

E. Mongin et Cie. are manufacturers of saws in Paris, employing 150 workmen and 15 *employés*. Having tried a system of prizes, and then a system of profit sharing, with their workmen, they have settled upon a method of interesting these in the production. The men receive so much per 100 kilogrammes leaving the shop, in cash, paid every three months. This system results in increasing wages from 9 to 11 per cent. The *employés* have an interest in the profits on the basis of their salaries.<sup>1</sup>

## VII. MISCELLANEOUS INDUSTRIES.

Great importance justly attaches to the experience in profit sharing of the firm of Billon et Isaac, of

<sup>1</sup> Compare with the instances of profit sharing in this section the cases of Fox, Head and Co., and Tangyes, in Chapter VI.; of W. Borchert, Jr., in Chapter VIII.; of the N. O. Nelson Manufacturing Co., Haines, Jones and Cadbury, Hofmann, Billings and Co., the St. Louis Shovel Co., the Yale and Towne Co., and the Springfield, Mass., and Bucyrus, Ohio, foundries, in Chapter VII.

Geneva, Switzerland. M. Jean Billon gave a full account of the matter in a little work published after the system had had six years' trial.<sup>1</sup> The testimony of the workmen of the establishment is singularly valuable; a quotation from it will be found in Chapter X.

The joint-stock company now doing business under the name of the "Society of the former house of Billon and Isaac, at No. 18 Creux de St. Jean, near Geneva," manufactures the cases and parts of the mechanism of music-boxes, and employs about a hundred workmen on the average. The work is done almost entirely by machinery; in this respect the house is in perfect contrast with the *Maison Leclaire*. The firm had always been on the best of terms with the employees, through its kindly and generous treatment of them, when in 1871 the terrible events of *La Commune* at Paris led M. Billon to consider seriously whether some means could not be adopted to improve the condition of the workingman, and thus prevent the occurrence of similar catastrophes. M. Charles Robert's work on the "Prevention of Strikes through Association in Profits" pointed out a feasible method. After informing himself of all the objections raised against participation, M. Billon remained convinced that he had found the way he long had sought. Accordingly, on the 18th of October, 1871, the managers, with the consent of the stockholders, promulgated a scheme of profit sharing to take effect from the first day of the previous July, the beginning of the fifth year of the firm as a stock company. The basis of division was exceedingly generous for a beginning. After the deduction of inter-

<sup>1</sup> *Participation des Ouvriers aux Bénéfices des Patrons, etc., par Jean Billon.* Genève: H. Georg, 1877.



est on capital at current rates, and of the fit sums for management and the reserve and amortization funds, one half of the net profits was to be equally divided between the shareholders and the managers, and the other half to go to all the workmen employed three consecutive months, in sums proportionate to the whole amount of their wages. Of the employee's share, one half would be paid in cash at the end of the business year, and the other half would be retained by the firm, to be applied to the purchase of 100-franc shares in the company, new shares being issued as they were needed : until the sum retained reached 100 francs it bore interest at 6 per cent. No workman should acquire shares amounting to more than one third of his annual wages. Reserving to themselves all previous rights in the direction of the business and the control of the accounts, the managers called upon the men to do their part in making a success of the new plan.

The employees cordially responded to this call, recognizing that for the firm "workmen are something else than machines," and that masters and men were friends. The directors soon perceived "an entirely new zeal for work and a lively interest in the house ; a true solidarity was not slow in establishing itself, each one comprehending that every negligence in duty was prejudicial to his fellows as to himself. Superintendence became easy for us, and *from that time we could, without fear of offending any one, show ourselves exacting in details to which previously we were obliged to close our eyes.* The feeling of security which the attitude of our workmen inspired in us, permitted us to devote ourselves entirely to the development of our business." At the end of the first year, the managers reported to the stockholders that the very large part



of the profits granted to the workmen had cost the company nothing, since the dividend was much larger than in preceding years. The year had been one of great industrial activity ; to this fact, and to the introduction of participation, this favorable showing was due. At the annual picnic given the workmen by the firm, they received the pleasant news that the employee's share of profits for the first year amounted to 18 per cent. on his wages, each man who had earned 1,000 francs receiving a bonus of 180 francs. The announcement was greeted with enthusiastic applause, and two of the workmen returned thanks, promising, for the whole body, hearty coöperation in carrying out all the recommendations of the managers. M. Billon noted the fact that seventeen marriages took place among the employees during the next year ; several induced, without doubt, by the new feeling of security which participation gave, but others caused by a desire to legalize connections felt to be incompatible with M. Billon's just expectations of good moral conduct.

Such was the auspicious beginning ; in five years came an industrial crisis, and its effect was to strengthen the faith of the managers in the new principle. The Russo-Turkish war was approaching. Business rapidly fell off after June, 1876. About sixty workmen had to be sent away. The new regulations left the firm entirely free to engage or dismiss workmen ; but if dismissed simply for lack of work, the employee was to receive at the end of the year his full share of profits up to the time of his leaving. When he had become the owner of stock in the house, the firm purchased this as soon as it could do so conveniently, the shares not being transferable, and the amount to be acquired by a single workman being lim-

ited. In the year 1876-77 the dividend to wages fell to 4 per cent.; in 1877-78 there was none. "The crisis served to prove that, in bad years as in good, we stood better with our employees than those firms which have not applied the principle of participation. As for our workmen, it has made them comprehend, better than any amount of reasoning, the benefits of compulsory savings." Those among them who had participated the first five years had received an average of 22 per cent. a year on their wages; so that, if they had saved all their dividend, they had in hand the equivalent of a year's wages. In any case, the stock set aside for them represented half of a year's earnings. "The benefits of the system introduced among us," wrote a workman in May, 1877, to Dr. Böhmert, "are yet more sensible in times of commercial crises, such as that which we have just traversed this winter. For quite a long time we have been reduced to seven hours' labor, and the gains of a workman with a family hardly sufficed to feed and clothe them. Yet he must pay his rent, and, as here almost all rents are paid three months in advance, more than one would have had to sleep under the open sky if his compulsory deposits had not come to his aid."

In 1877 the company reached its term, and participation could have been abandoned; some of the employees expected this result on account of the depression of business. The managers reminded the stockholders of their entire freedom to continue or to drop the principle, but hastened to add that, for themselves, they could not give up the system, without which their administration would seem to them incomplete. The stockholders unanimously voted to continue the plan, which has gone on working successfully up to the present time.

M. Billon has traversed, in his book on the subject, the whole ground of the arguments for and against participation. I shall have occasion hereafter to quote testimony from his workmen. The experience of more than sixteen years gives it very high value. The financial results of the participation are exhibited by the following table, in which the francs are given true to the nearest integer. The largest sum divided as bonus was 38,878 fr. in 1872-73; the smallest (excluding the year 1877-78, in which there was no dividend) was 4,588 fr. in 1876-77; the average sum to each workman varied from 56 fr. to 347 fr. In the first ten years the whole sum distributed was 194,259 fr. The average of daily wages in this time (the bonus not included) was from 4 fr. 42 centimes to 5 fr. 5 centimes.

YEAR.	NUMBER OF PARTICIPANTS.	AVERAGE SHARE OF A WORKMAN.	RATIO TO ANNUAL WAGES.
		<i>Francs.</i>	<i>Per cent.</i>
1871-72	103	202	18 $\frac{1}{2}$
1872-73	109	347	28 $\frac{1}{2}$
1873-74	92	276	20 $\frac{1}{2}$
1874-75	102	309	23 $\frac{1}{2}$
1875-76	140	222	17
1876-77	98	56	4
1877-78	82	—	—
1878-79	89	168	8
1879-80	89	138	10
1880-81	101	212	15
1881-82	96	350	20
1882-83	97	232	13
1883-84	90	175	10
1884-85	86	—	—
1885-86	77	—	—
1886-87	67	—	—

The last three years gave no bonus, owing to the depression of business and increasing competition. "But our workmen continue to work courageously," writes M. Billon, "in the hope of better times: their capital in the house now amounts to 83,829 fr., on which they draw 6 per cent. interest."

The tanning and currying establishment of M. Dorgé-Heuzé, at Coulommiers (department Seine-et-Marne), presents some novel features not found in the systems of participation practised by MM. Leclaire, Laroche-Joubert, Godin, Goffinon, and Chaix. They are an index of the wisdom with which a fundamental principle has been applied in France to the requirements of different industries. M. Dorgé-Heuzé the elder was led to introduce profit sharing by the belief that strikes are not caused by lowness of wages only, but that they often arise from a legitimate desire of workmen to improve their general condition. He thought to satisfy this desire, with which he sympathized, by modifying the system of day-wages on which his industry was conducted, in such a way as to bring about a more visible union of interests between his employees and himself. In 1867, accordingly, he introduced participation, and it has continued in successful operation until the present day. The firm became a joint-stock company in 1881 under the name of *La Providence*, and the details of the scheme have been slightly modified in consequence. I give the particulars of the plan at present in force.

The conditions of admission are, that the participants must be capable and moral persons, able to read and write, at least twenty-one years old, having been connected with the house for a year. They must promise compliance with the regulations prescribed,

and become stockholders to the extent of 1,000 francs at least. If they are unable to acquire such a share at once, 5 per cent. of their wages or salaries is retained by the firm each year until the necessary amount is accumulated. The employee does not wait until the sum is reached, but becomes a stockholder on his admission, by a two-thirds vote of the participants already qualified. Thirty out of the 120 employees were participants in 1883. The requirement of an interest in the business has a tendency to keep the number small, but the general assembly of the employees is also more strict in its requirements, as concerns capacity and good conduct, than the directors themselves would be.

The fundamental idea, fixing the amount of the workman's share in the profits at Coulommiers, is that his labor represents the amount of capital (besides his stock) which he has contributed to the business, and that he should therefore receive the same dividend from the net profits which the other capital employed obtains. If, for example, in the earlier years, M. Dorgé furnished as capital in the plant 40,000 francs, and in cash 30,000 francs, to this should be added his salary as director, 5,000 francs, making a total of 75,000 francs. If in the same year wages and the other salaries amounted to 21,500 francs, and the capital deposited by the employees to 3,500 francs, the contribution of labor to the enterprise would be 25,000 francs. The net profits, after interest and the reserve (5 per cent. annually) are deducted, amounting to 10,000 fr., M. Dorgé would receive 7,500 francs and the employees 2,500 francs. The average dividend since 1867 has been 6 per cent. : the capital stock is now 2,000,000 francs, of which M. Dorgé and



the employees own about one half. Eighteen of the latter are full shareholders. The bonus is paid in cash, without deduction for any purpose. There is no retiring fund or mutual aid society connected with the house, but M. Dorgé is actively interested in such organizations in Coulommiers. The affairs of the joint-stock company are administered by a council composed of twelve members chosen by the stockholders: at least two workmen or *employés* must be members; there are actually five, who are overseers or among the older workmen. The question of accounts raises no difficulties, as the employees are stockholders.

There has never been any difficulty between the administrative council and the employees. The latter are attached to the firm, M. Dorgé assures us, more by the moral advantages of participation than by the moderate dividend on wages. They feel themselves partners in the house, advise with each other concerning the average of work done by each member of the society, and often suggest improvements in the processes, for which prizes are given by a supervising committee. The overseers aid each other by exchanging workmen in case of need; it is a curious fact, in this connection, that some overseers, having participating workmen under their orders, are not qualified to be coöperators in the tannery. Although entirely free to withdraw at any time without loss, the participants are a very stable body of workmen, some having been fifteen or eighteen years in the house. Sharing in the profits and the losses of the business, according as the dividend on their labor and their capital rises or falls, the employees have a very direct interest in the prosperity of the society; they are more industrious than formerly, thus increasing the product, and

their relations with the managers are free from friction. "We would not deny that there are difficulties in applying our system, the workman not being prepared for it; so we think with M. Leplay, that at present only eighteen or twenty per cent. of work-people are ready for it. *Morally and materially*, we have only to felicitate ourselves on the system." A testimony of exceptional interest from the side of labor organizations is given in the report of the delegations of workmen to the Paris Exposition: "If coöperation, properly so called, is not possible in certain cases and in certain branches of industry, and if we are to submit to the régime of participation, we pronounce in favor of the system devised and applied by M. Dorgé." The chief desire of M. Dorgé-Heuzé, to secure an interested and stable body of workmen, appears to have been thoroughly satisfied.<sup>1</sup>

The firm of Lefranc and Co., of Paris, manufacturers of paints, varnishes, and printing inks, has had a provident fund for the workmen in its factory at Issy since 1881. In that year it divided 5,000 francs among the employees on the basis of age and wages, and since then it contributes an indeterminate sum each year to the support of the fund, divided on the same basis, 5 per cent. of this amount (but not over 2,000 francs) being reserved for special aid. No person who receives 2,500 francs in salary or has been 20 years in service can participate. The interest on his principal is paid only when the workman is 45 years old and has served 20 years, or when these figures are respectively 60 and 10: the principal goes to his heirs.

<sup>1</sup> The figures for the year 1882 were as follows: Wages amounted to 60,940 francs; 6 per cent. realized on this amount gave 3,656 francs, of which each participant received, on the average, 122 francs.

J. Bourdoux and Co. (the Industrial Society *de la Corrèze*), lace manufacturers, of Paris, are a joint-stock company with a capital of 1,000,000 francs. Since 1884 profit sharing has existed here on this basis: From the gross profits 5 per cent. is deducted for a reserve fund, and then 5 per cent. dividend on the shares. Of the remainder the general assembly, on motion of the manager and the council of superintendence, sets aside a part, not to be over 20 per cent., as a participation fund for the employees. All the regulations concerning the division of this amount among individuals are made by the council and manager, subject to the assembly of stockholders. One fifth part of the sum is placed in a *fund of participation in losses*, which is the property of the men; two fifths are paid in cash; and the remaining two fifths are credited in a savings book at 5 per cent. interest, and are payable after ten years of service.

The firm of Braun and Bloem, in Düsseldorf, employed in 1876 one hundred and thirty men in the manufacture of percussion caps and cartridges, it being the only manufactory of the kind in the country. The larger part of the workmen were paid by the piece: the others worked on the group system or on day-wages. The earnings of the men were equal to those paid in the generality of the industries of the region. Wages were quite high compared with the price of the product; they were equal to one eighth or one seventh of the whole capital. Messrs. Braun and Bloem introduced profit sharing in 1872, wishing above all to increase habits of carefulness, order, and punctuality among their employees. They require only three months' service as a qualification. Every month a reckoning is made of the work accom-

plished. A percentage on this amount, varying in the different shops, is attributed to wages. Placards constantly before the workman's eye acquaint the men in each branch of the manufacture with the rate of bonus they may expect: actually it amounts to 5 or 10 per cent. on earnings. Half of the dividend to labor is paid at the end of the following month, and the other half on the 1st of August each year. If a workman leaves before this date, for any reason, or temporarily deserts the factory, except for sickness, he loses his claim both to the next monthly payment and to all that has been retained. If any one is absent from work a whole day or half a day without permission, or without a reasonable excuse, or quits work without leave, he loses his right to the current monthly bonus. If such an offence should occur three times in the year, the delinquent not only loses the half of the bonus kept back, but he is also excluded from profit sharing for a time or entirely. Thus the actual rule is, that the workman must serve four months before receiving a bonus in part, and twelve or thirteen months before he can claim the remainder; he must have been orderly and punctual. No method is provided whereby the employee can become an owner in the establishment: he does not share in the losses which may occur.

The firm did not count upon obtaining from such an organization immediate results. But they were not slow to observe a greater punctuality in coming to work, and an increase of carefulness. The workmen became more eager to assist each other. The idle they would not tolerate. When bad times come on, the men, though receiving their regular wages, are quick to perceive the crisis, and feel that it must be



met by more strenuous exertions on their part. They inquire into the causes of slow sales ; they talk over the situation among themselves more than formerly ; and every one feels that his lot is closely bound up with the fortunes of the establishment. The moderate bonus in good times receives an emphasis from the directness of its payment. As piece work had been the rule, the gain under participation is less in the increase of product than in the greater regularity and the mutual oversight of the workmen. In December, 1884, the firm wrote : " Profit-sharing is still in operation with us. Its beneficent influence is especially manifest in the stability of the working force. During the last ten years there have been very few changes in our *personnel*, which now numbers 250 workmen."

In the tin-foil factory of Dr. Morgenstern, at Forchheim, in Bavaria, profit sharing began in 1866 with a three-years' limit, and was renewed for an indefinite time in 1869. The establishment employs 12 men and 7 women. The bonus is 10 per cent. on the gross profits. One tenth of this supports an aid fund. One half of the remainder is divided among the employees, in proportion to earnings and service, as follows : The worker who has served three years can claim one entire part ; the two-years' man two thirds, and the one-year man one third, of such a part. The other half is at the disposition of the firm, to be spent in prizes, or in donations to the aid fund. The 9 per cent. bonus yielded from 1867 to 1876 sums varying from 1,112 francs to 1,768 francs : in 1870 there was no profit to divide. In three of these years the bonus was equal to nearly 8 per cent. on wages, in one to over 11 per cent. The preceding method was to be modified in 1878 without reducing the bonus, in order



to encourage thrift more effectually. "The institution has exercised a favorable influence on the majority of the workmen: they have shown themselves grateful, and, with better habits of work and economy, have acquired a little fortune. With some there has been no effect."

The desire to secure a more stable body of workmen was the motive for dividing profits in the Scheurer-Kestner manufactory of chemicals at Thann, in Alsace. M. Charles Kestner introduced a system of prizes, in which seniority was a prominent feature, and life pensions, in 1853. He was gratified by the results obtained, and when, after the annexation of Alsace to Germany, the firm became a joint-stock company, profit sharing was instituted as a natural development of the method previously in use. The capital is 2,500,000 francs. The wages of the 350-400 workmen amount to some 300,000 francs, or 10 per cent. of the product. Piece work and the group system are in effect wherever they are practicable. After all expenses of operation have been met, 10 per cent. of the net profits is set aside as a reserve fund, and 5 per cent. interest is allowed on capital. Ten per cent. of the net profit goes to labor, as a bonus on wages. Each man's share is determined by his earnings and the length of his service. He must have been employed one year to participate at all, and his part increases according to each period of five years that he has worked, up to 20 years. As a rule, the bonus must accumulate in the hands of the firm at 5 per cent. interest before it can be drawn. From 1872 to 1882 the average yearly dividend was 42 fr. 80 c., this representing an increase on wages of 5-10ths per cent. In the most prosperous of these years the maxi-

imum bonus of a workman was 400 francs, the minimum 30 francs.

The company encourages savings by receiving deposits from the employees at 5 per cent. interest; the amount on deposit in 1884 was 189,825 francs. This was in addition to the savings which had been put into real estate, also with the aid of the managers. When an employee of more than two years' standing wishes to invest his money in purchasing a house, the company will advance him any sum up to 1,000 francs on a mortgage without interest, to be repaid by fifths, in successive years. In 1880 about one half of the workmen had in this way become owners of real estate, a situation of things highly conducive to that stability of the working force which the company desired, and to secure which it prefers its own system to that of the Mühlhausen "workmen's cities." A mutual aid society, supported by a small regular contribution from the workpeople and by a gift of some 8,000 francs a year from the house, is administered by the workmen: it had on the 1st of January, 1884, a capital of 22,775 francs. The company also secures modest life pensions to all disabled employees, ranging from 250 to 540 francs.

M. Scheurer-Kestner, the present head of the establishment (he is the father-in-law of M. Jules Ferry), thus speaks of the moral and material results of the system followed by the company: "The moral and economic interests of the workmen have been promoted by great severity on our part in excluding every drunkard from the house; by our participation in the foundation and support of schools near the shops; by a determined war on poverty, the source of demoralization, by means of loans without interest; sometimes

by aid granted whenever a workman, with some savings of his own, wishes to become a proprietor. We have drawn from these institutions no other profit than that of being on the most agreeable and fraternal terms with our employees. One might evidently arrive at the same results through other means; but these charges are so heavy that it would be very imprudent to bind one's self to support them when there were no profits. The system of participation has had the following results, which prove how strongly workmen tend to remain with us when once they have passed the first two years: Of our men, 71 have been with us from 1 to 2 years; 79 from 2 to 5 years; 71 from 5 to 10; 59 from 10 to 15; 28 from 15 to 20; 10 from 20 to 25; 12 from 25 to 30; and 17 from 30 to 39 years." These figures go to show that the Scheurer-Kestner company has attained the chief end it had in view in instituting profit sharing. Piece work and the group system were already so effective that no increase in diligence or carefulness is mentioned. The comparative smallness of the bonus will undoubtedly help to explain the lack of interest and of comprehension of profit sharing. "I am convinced," says M. Scheurer-Kestner, "that if to-day we should offer to replace participation in profits with even the least increase of daily wages, the workman would accept, always in consequence of that unfortunate carelessness peculiar to the man on wages." When we see that, from 1877 to 1884, the bonus to the workmen who had been in the establishment less than five years averaged less than 22½ francs (about \$5.00), it is easy to understand that so small a dividend could not be expected to have great influence upon the mind of the average Alsatian.

The Pottery at Nyon, Canton Vaud, Switzerland,

offers an interesting example of the application of profit sharing in the restoration of a bankrupt industry. In 1869 the works were on the point of closing and going into liquidation on account of bad management. At this juncture M. Eugene Risler, one of the stockholders who was opposed to the abandonment of the business, was chosen head of the managing council. The first step taken was the selection of a new director who agreed to accept the same salary as he had received while traveling for the pottery and a share in the eventual profits. "Then," writes M. Risler in 1873, "I assembled the workmen and said to them: 'We are doing all we can to continue the existence of the manufacture by which you gain your bread. But you must do something to help us. I propose to reduce your wages 5 per cent. In compensation for this, we will grant you a share in the profits, and we are persuaded that with this combination you will not be long, not only in recovering your old wages, but also in attaining a higher remuneration. For every thousand francs of net product exceeding 4 per cent. interest on the capital, you shall receive 30 centimes for every 100 francs of your wages.' The workmen at first did not understand this; but as they knew that they must either accept my proposition or give up the means of getting daily bread (*gagne-pain*), they accepted. They thought that, after all, it was a very simple question of a 5 per cent. decrease of wages. But at the end of the first year our affairs had so improved that we could almost restore this 5 per cent. reduction. They believed that this surplus fell from heaven, and more than half of them spent it at the public house. But the second year it was no longer so. The workmen had comprehended the value of participation."



“There were established in the factory an order and a discipline which had never been seen there before, and which are very rare in the Canton Vaud. For many previous years the carters and even the workmen stole our coal (the thefts had risen to more than a thousand francs a year). After the new organization, this state of things ceased; the workmen knew that in this way they were robbing themselves. The warehouseman, who had been in the establishment fifteen years, used to sell merchandise on his own account; he had thus acquired a little fortune. The management was informed of the fact by anonymous letters which were sufficiently specific to prove the offence. The man was obliged to repay a part of the sums which he had thus appropriated, and was then dismissed. In these last two years the factory returns 12 per cent. on capital, and instead of suffering a reduction of 5 per cent. the workmen enjoy an increase of wages amounting to about 10 per cent. Last year the workmen in the Carouge pottery, near Geneva, a competitor of ours, struck; our men remained perfectly quiet. . . . I should add that the present prosperity is not due solely to the influence of profit sharing: it should be attributed to other causes also, such as the excellent administration of the new director.”

In 1877 the pottery employed 40 men and women, 20 on day wages, 12 on piece work, and 8 “helpers,” two to every group of three piece-workers. The day workmen who have not worked a year in the establishment receive prizes according to the amount of their work, night work counting double. The youngest workpeople, and a few others who receive weekly quality prizes, are not admitted to the participation. The body of participants includes, then, the mature



workers, whether paid by the day or the piece, who have served a year. Up to 1876 inclusive, there had been divided as cash bonus to labor 13,136 francs, which represented an average of 10 per cent. on the net profits, and 7 per cent. on wages. Wages amounted to a third of the product and to one sixth of the capital. The regulations of the establishment allow the workmen to acquire shares in the company, but of this privilege they had not availed themselves in 1878. No right of control over books or management is conferred on the employees, and they have never put forward any claims of this kind. M. Risler, who still continues the system thus prosperously begun, does not claim, it will be noted, any special increase in the quantity, or improvement in the quality, of the product of the pottery. The system of piece work and quality prizes already afforded sufficient stimulus in these respects. But the moral improvement and the freedom from labor disturbances are plainly considered to be an adequate compensation for the profits allotted to the workmen.

The furniture factory of H. Fourdinois, Paris, now employing 100 workmen, has divided profits with them since 1872, on a somewhat peculiar plan. The amount of wages paid during the year is reckoned as the capital contributed by the men, and this sum receives one half of the percentage of net profits earned by the firm. Thus in 1872 the net profit was 6.28 per cent. : labor accordingly received 3.14 per cent. on its earnings of 154,612 fr. 75 c., which amounted to 4,854 fr. 84 c. ; but dismissals and departures of various workmen brought the percentage up to 6.37 in fact ; in 1873 these were so important a factor that the wages paid to participants were increased 25 per

cent. The employee must belong to the Mutual Aid Society, and his entire bonus goes into his account in a provident fund: he enters into the enjoyment of his capital whenever permanently disabled from work. A mixed council administers this fund.

The Lombart Chocolate Works, at Paris, is one of the leading French houses in its line of business, and employs some 450 workmen. Its system of participation, in force since 1885, is not embodied in any set of rules, but an indeterminate sum is taken out of net profits by M. Lombart, which has varied thus far from 60,000 to 100,000 francs, and which he divides among his men in proportion to seniority, earnings, and merit. The merit of each individual is determined by three estimates made by the manager, the overseer, and the superintendent of the shop. These estimates, expressed in points, are added, and then divided by three to give the average of *merit*; this average is then multiplied by the number of years of service, to make allowance for *seniority*, and there is thus obtained the proportion which the participant enjoys upon his *wages*. The scheme is so arranged that the workman ranked as "very good," who has served five years, shares in the profits on the exact basis of his earnings; after that time his percentage may be over 100. The total bonus is of course divided by the whole number of points, and the quotient is then multiplied by each man's number. The shares are capitalized to form a retiring property at the age of 50 years.

The Netherlands Yeast and Spirit Manufactory at Delft (Holland), one of the largest manufactories of yeast in the world, has a number of institutions for the benefit of the employees, which have gradually grown up since its establishment in 1869, under the

care of Mr. J. C. van Marken, Jr., the director.<sup>1</sup> The capital of the concern is 840,000 francs, and it employs about 170 hands. Since 1874 the company has granted prizes for the production of yeast and spirit above the average amount obtained before from the same amount of material; and these prizes represent about a third part of the value of the supplementary product. They rose from 3,780 fr. in 1874 to 84,420 fr. in 1883, representing an increase of wages of 10 to 30 per cent. Another system of rewards gives additional pay for each thousand kilogrammes of grain handled above the average. The result of this plan was that in three years the amount of grain handled had doubled, while the number of workmen in this department had only risen from 39 to 43: their wages were increased by the system 45 per cent. There is a special savings fund for these prizes, which are paid only in part in cash.

In 1880 the society voted 6,300 francs to establish a retiring fund, which was thenceforth to be supported by a contribution of 10 per cent. of the net profits of each year's business. This provides for the annual payment to a Dutch life insurance company of a sum equal to about 7 per cent. on the participant's earnings, and it will secure to the average workman, when he is sixty years old and has served forty years, a pension almost equal to his yearly wages. When the profits allow, the percentage is increased to 9, and the additional 2 per cent. is applied to procuring a regular life insurance policy for the participant. Mr. Van Marken

<sup>1</sup> Mr. Van Marken has given a detailed account of these institutions, from their origin, in a valuable work, *La Question Ouvrière à la fabrique neerlandaise de levûre et d'alcool. Essai de solution pratique.* Paris, 1881. Chaix.

has made, in his own name, the beginning of an attempt to interest workmen in the stock of the company, while the society makes provision for fire and accident insurance among its employees, as well as for houses, education, and amusement.

“The success of our establishment has become an extraordinary fact in the industrial annals of our country. The shareholders began to receive dividends, in 1874, of 5 to 6 per cent. In proportion as the institutions for the benefit of the force developed, the profits increased. The year 1877 brought capital 13 per cent. The next year a fire suspends all work for five months, and leaves us with a custom to be regained. Yet the profits permit a dividend of  $6\frac{1}{2}$  per cent. The year 1879 gave the shareholders 24 per cent. In 1880 the capital is doubled to increase the works, and the dividend is 36 per cent., beside 39,900 francs paid as prizes, and 14,700 reserved for pensions. And these results are not at all due to happy conjunctures; nor to speculations, advantageous but precarious: for our competitors, and they are numerous in the country, declare that times are hard. The secret of our success should be sought, I think, in the devotion of our whole force—a devotion which has enabled us to attain a high degree of perfection in our manufacture, to obtain from the raw material an exceptional return, to acquire the confidence of a body of customers more and more numerous and permanent, and to raise our manufactory of yeast and spirit to a level with the largest, most prosperous, and best reputed factories in the world.”<sup>1</sup>

<sup>1</sup> Mr. Van Marken is authority for our stating that two new establishments at Delft—one with a capital of 1,050,000 francs, in the oil trade, and one a bone-product factory—have adopted profit sharing on his plan.



The distilleries of Pernod fils, at Pontarlier (Doubs), France, and Couvet (Switzerland), are over eighty years old, and the relations of master and men have been of a paternal character from the beginning. But there was a lack of thrift among the workpeople, and to remedy this M. Pernod established a provident and retiring fund in 1871, to be supported by an annual levy on profits. The sum is not fixed, but from 1871 to December 31, 1886, the fund had received 165,963 francs, of which 34,884 francs had been paid out. The participant must have served one year; if he leaves the house he is entitled to receive the whole sum standing to his name, at the expiration of a year, in which he must not have worked for any competing distillery. The firm insures its men against accidents, and they must all belong to the aid society of the place. In this establishment — which employs few men and much machinery — “the good effects of participation,” M. Pernod writes, “have not been slow to make themselves felt. The workmen, stimulated by the advantages which it procured them, have redoubled their zeal. A strict rule, and some examples of expulsion of the disorderly or the drunken, maintain perfect order in the force. As the house is the only one in the region which offers its workmen such advantages, situations in it are eagerly sought, a fact which greatly facilitates the recruiting of the force. To-day a case of drunkenness during work is an almost unheard-of thing, — a remarkable fact among men constantly handling alcohol; Monday absences have entirely disappeared; and cases of insubordination, disputes, and quarrels are extremely rare.”

The match and wax factory of E. Schoetti, at Fehraltorf (Canton Zurich), Switzerland, has divided among its employees 50 per cent. of the net profits since 1878. One year's service is requisite to participation. One third part of the bonus is paid in cash, one third to an aid and retiring fund, and one third to



a savings fund, at 5 per cent. interest, enjoyable after 25 years' service. The bonus for 1886 was 2,288 francs. The firm also insures the men against accidents by an annual contribution of 400 to 500 francs.

The Stearic Candle Manufactory of Gouda, Holland, introduced participation in 1883: it first endowed a provident fund with 205,000 francs, to the benefits of which it admitted the most meritorious of its employees as a *noyau*, dividing this sum among them in proportion to their earnings and their years of service. Each year, on the 30th of April, it admits all the workmen out of its 500 hands who have served sixteen months, and divides 10 per cent. of the year's profits. The bonus is capitalized at 4 per cent. interest, and paid at sixty years of age. The number of participants in 1887 was 216; and the amount in the fund to their credit was 235,000 francs.

The only instance of participation recorded in Russia is of long continuance, but of modest proportions. M. Protopopow employs in his manufacture of wax candles, near Moscow, some 40 workmen, from April to November. For 15 years (up to 1878, the date of Dr. Böhmert's account) he distributed an indeterminate sum (proportioned to the year's profits) in shares fixed by himself. The wages averaging only about 400 francs for the season, the bonus is small, from 20 to 24 francs on the average. But this sum, equal to a 5 per cent. increase, has procured for M. Protopopow a good supply of labor, and harmony in the establishment.

With Messrs. Hanappier and Co., wine merchants of Bordeaux, hand labor plays an insignificant part, amounting to hardly one thirtieth of the total expenses. They have adopted M. de Courcy's plan, changing also from wages to monthly salaries at his suggestion. The distribution of the indeterminate sum is on the basis of earnings, after three years' employment. Further particulars as to the working of their system have not been furnished for publication, but

Dr. Böhmert has printed the full text of the Hanappier regulations.

Raulino and Co., tobacco manufacturers, at Bamberg, in Bavaria, practise since 1875 a scheme of division somewhat resembling that of Messrs. Masson and Mame. The establishment employs from 70 to 80 men, women, and young people. On account of the diversity of these workers, and the variable character of the results of business, Herr Raulino considers participation in the *net* profits impracticable. Therefore, after allowing for interest at 4 per cent., for working expenses and depreciation, a third or a quarter part, according to circumstances, of the rest of the year's product is allotted to the workmen: of this, three fourths is paid in cash, and the other fourth takes the form of clothing. The distribution is made every three months. One of the partners writes in 1886: "This method has exercised a happy influence on the force. The money distributed among the workpeople four times a year, besides wages, has awakened in them the spirit of thrift, and I have never perceived that it led to dissipation. So I shall remain faithfully attached to the institution."

Since 1871 M. Frederic Steinfels, manufacturer of soaps, at Zurich, Switzerland, has divided profits with his employees (from 28 to 35 in number) in addition to his previous system of rewards. The basis of the division of the indefinite sum is seniority, and the value of the services rendered is determined by the head of the establishment. For 1871 the bonus, divided among 30 men, was 5,900 francs, besides rewards amounting to 3,387 francs; for the year 1872 these figures were 4,975 and 4,507, for 28 men. The rewards average 4 or 5 per cent. on wages to good men who have served less than five years, and 8 or 10 per cent. if they have worked longer. "My older workmen are all highly satisfied with this mode of payment; the majority of the younger ones would prefer a higher fixed sum," said M. Steinfels in 1873: in 1885, after several years of small

returns, he wrote: "The majority of my employees [70 in all] recognize the benefit of the system, and are desirous of seeing it continued. . . . In general, I can only express contentment on the subject of the influence which profit sharing exerts upon the labor done by my force and their attachment to the house. So, in spite of some difficulties, I shall persevere in the way I have followed."

The house of Felix Genevois and Son, manufacturers of soaps and perfumery, at Poggio-Reale, Naples, has a *foundation* capital of 500,000 francs, which receives 5 per cent. interest, and a *participatory* capital formed out of the profits attributed to the force. "The sum due to each participant forms his capital, and the net profits, deduction made of interest on the foundation capital and of a levy of 5 per cent. for the reserve (limited to 10,000 francs), are divided among the participants in proportion to the capital of each, increased by his earnings during the year. Until his capital shall have reached 2,000 francs, the participant must not draw any part of his share. He can then draw half of his dividend, or leave it all to increase his capital up to the limit of 30,000 francs." Admission to profit sharing depends on the pleasure of the firm.<sup>1</sup>

<sup>1</sup> Compare with the last two cases in this section the instance of Procter and Gamble, in Chapter VII.; see also, in the same chapter, the Rumford Chemical Works.

## CHAPTER V.

### PROFIT SHARING IN TRANSPORTATION, DISTRIBUTION, AND AGRICULTURE.

#### I. TRANSPORTATION COMPANIES.

FOR twenty-one years the Paris and Orleans Railway Company furnished a striking example of profit sharing on a large scale. Owing to its consolidation with other, less profitable lines, and to the conditions imposed by the French system of governmental guaranty, the principle of participation, though entirely satisfactory in its operation, has fallen into a state of suspended animation. As the experience of this company in dividing profits with thousands of employees is the only instance of the thorough application of the scheme by any railway company, it will be profitable to consider it at length, especially as the causes of the practical suspension of participation by the Orleans Railway are not generally prevalent, and have no logical connection with the system itself.<sup>1</sup>

The history falls into three periods, the first of which extends from 1844 to 1850. In the former year M. François Bartholony, president of the company, suggested to his colleagues the idea of associating the employees in the profits, which were then, six years after

<sup>1</sup> The fullest account of the participation practised by this company is contained in the *Bulletin de la Participation* for 1881, pp. 181-208. I have somewhat enlarged and modified Mr. Sedley Taylor's abridged translation, given in his *Profit-Sharing*.

the establishment of the company, becoming considerable. A committee appointed to examine the proposition reported in favor of it; the directors unanimously recommended the plan, and on the 30th of March, 1844, the general meeting of the shareholders adopted the following addition to the statutes of the company: "After the payment of expenses and the assignment of eight per cent. to the shareholders, there shall be deducted from the year's surplus, if any, 15 per cent.; this amount shall be distributed by the board of directors among the employees of the company, according to principles to be determined by regulations which shall be submitted for the approval of the next general meeting." Participation was thus established in the laws of the company, and sheltered from the variable winds of the annual meetings.

Under the terms of the regulations adopted in 1845, the officials and employees of the company were divided into three classes. The directors and the engineers composed the first class. Each of these received in cash one three-hundredth part of the whole sum distributed for every thousand francs of his salary. In the second class, each of the remaining heads of departments and superior employees drew one five-hundredth part of the amount for every thousand francs of salary. Of this bonus one half was paid in cash; the other half was invested in a state security, and was not withdrawable or assignable without the consent of the company. The first two classes represented the *head* of the establishment. The third class, the *arms* of the company, included all the other employees in receipt of a yearly salary. Its members divided what was left of the whole bonus after the shares of the first two classes had been paid. One



half of the sum thus falling to the third class went into ready-money rewards for distinguished services ; the other half was divided among all the members in proportion to their salaries, and invested as in the case of a member of the second class.

The distinction which these regulations made between the officials whose skill mainly created profits, and the employees whose task it was to execute faithfully orders received, was thoroughly sound. But the rules adopted yielded, in practice, too small a share to the latter division, and they were accordingly modified for the year 1846. Under the new system of distribution, the members of the first class received three times, and the members of the second class two times, as much as the members of the third class, on each thousand francs of salary. This principle of division, applied to the bonus of 1846, increased the salaries of the first class 56.6 per cent., of the second 37.8 per cent., and of the third 18.9 per cent.

Some of the employees were discontented with the share allotted to them, and called upon the government in 1848 to compel the company to pay all its employees in cash on the same basis. The minister of public works responded by issuing a decree that thenceforth the amount of salary received should be the sole basis of participation for all employees, higher and lower. The government thus interfered, under theoretical notions of equality, to break down a fundamental principle of participation, as conceived by M. Bartholony and carried out by the company. The board of directors naturally raised the question of abandoning the system, which they had voluntarily established, but with which the government had unwarrantably interfered ; but they decided to retain it.

A new period of profit sharing began in 1850 with the regulation, enforced by the State, abolishing the previous classes, and dividing profits uniformly. One third part of the sum due each employee was paid in cash, one third was invested for him in the savings bank, and the remaining third was to be placed in the State Pension Office (then projected), or in some other insurance office, to constitute a life annuity of 600 fr. at least, beginning at the age of 50. In the year 1852 the railway companies of the "Centre," of Bordeaux, and of Nantes were absorbed by the Orleans company; and an express stipulation provided that the employees in the service of the three companies should enjoy the same advantages of participation in profits as the employees of the Orleans line. The fusion was profitable, and the employees' share ran very high. The fixed charge of 15 per cent. on profits gave them 34 per cent. increase on wages in 1852, and 41 per cent. in 1853. The shareholders thereupon agreed that these results were out of proportion to the figures on which participation had originally been calculated, and that the statutes ought to be modified.

In 1854 the fixed charge of 15 per cent. gave place to a decreasing scale. In every year which brought the stockholder over 8 per cent. and less than 14 per cent. dividend, the 15 per cent. charge on the profits over 8 per cent. remained in force. But when 14 per cent. was realized on stock, the share to labor fell to 10 per cent. on the profits calculated as before; and if the stockholder's dividend rose still higher, to 16 per cent. or over, the labor dividend was reduced to 5 per cent. Such, says M. Moynier, "were the measures by which the

exigencies of an increasing prosperity were satisfied, and the tutelary principle at the same time safeguarded." A regulation of the same year provided that before the division of profits to the employees, a charge, not to exceed in any case 10 per cent., nor the amount needed to make up, with the balance of the previous year, a maximum of 250,000 fr., should be levied on the gross amount, in favor of an aid fund. This fund gave help in cases of accident, injury, or infirmity, assistance to widows, and also prizes for exceptional service. The modification thus introduced made no essential change in the regulations. But still further modifications went into operation on the 1st of January, 1865, which have had the effect, under the existing financial circumstances of the company, of suspending the operation of participation. We will pause here to observe the results of the scheme when allowed to work freely.

The first period of the trial was characterized by the important distinction made in the bonuses of the three classes, the amount being graduated according to the responsibility of the officials. In the second period, the French Republic of 1848 intervened to abolish this distinction. In both periods, however, embracing together twenty-one years, the participation principle was fully applied. The long retention of the system by the company, even under circumstances which would have given them a good excuse for abandoning it, shows, as one of the directors testified before the extra-parliamentary commission of 1883, that it must have "produced very good results." M. Bartholony, for forty years president of the company, was one of the railway magnates of his day, and the founder of numerous public institutions for educa-

tion and savings. He always regarded the profit sharing system of the Paris and Orleans Railway as his best work. M. Charles Robert has indicated some of its practical results. "Applied as, for instance, it was in 1858, association in the profits exercised a considerable influence on the *personnel* of the Orleans Company. The deep and lively feeling of a real and important solidarity of interests gave them the appearance of a great family. The employees looked after each other. They had constantly in mind the thought of an eventual profit to be shared, of a possible loss to be avoided. Thus every one showed the greatest care in handling baggage, and if an employee treated it roughly, it was a common thing to hear a comrade say to him, 'What are you about? You will shorten our dividend!'<sup>1</sup> I have these details from a witness of authority."

In 1863 a new regulation appeared, taking effect in the year 1865, which had the result of weakening profit sharing to such an extent that most of its advantages were lost. The Benefit Fund obtained the right to levy as much as 15 per cent. on the sum available for participation. The previous method of division of this sum gave place to another. After the share of each employee, based as formerly on his salary, had been determined, a first deduction, *up to ten per cent. on his earnings for the year*, was made in favor of his account in the State Pension Office. Any surplus over this amount went to the participant in ready money, *up to seven per cent. on his earnings*. If there were any further residue, it was placed in the savings

<sup>1</sup> If profit sharing could produce this effect on American "baggage-smashers," the traveling public would vote for its immediate adoption on our railways!



bank to his account. The reasons for this change in the method of distribution, as given by the company, were, that the fusion of old and new lines would probably diminish the gross sum of available profits; that the means hitherto adopted to secure a pension for the employee were very plainly insufficient; and that a first levy on the bonus would secure, without any of the usual drawback on salaries, a pension higher than that granted by most companies.

If, under this new rule, the profits earned by the company had continued to allow a percentage on salaries equal to the average of the ten years previous to 1865, the system of participation would still have had room to show its immediate practical advantages. The preference given in 1863 to the reservation for a pension, by which it took the first place instead of the third, was not in itself an injurious step. During the ten years 1855-64, the ratio of bonus to salary in no case fell below 20 per cent. or rose above 27 per cent.; the average was  $23\frac{1}{2}$  per cent. Applying the new rule to this average, the employee, after the pension reservation had been made, would have received each year 7 per cent. in cash, while  $6\frac{1}{2}$  per cent. would have fallen to his account in the savings bank. Such an outcome for the years 1865-74, and subsequently, would have differed in no essential respect from the record made before 1865, and profit sharing could still have been estimated according to its practical results. But the financial condition of the Orleans Railway Company steadily deteriorated after 1865; the number of its employees constantly increased, as did its working expenses. The table which follows will show that the bonus to salary declined each year after 1864 (falling off 6 per cent. the next



year) until in 1870 it reached the 10 per cent. absorbed by the pension reserve. The cash dividend shrank from 4.4 per cent. in 1865 to absolutely nothing in 1870; in 1871 it rose to 2.15 per cent; in 1872 it was barely 1 per cent.; and after trembling on the verge of nonentity for three years more, it finally disappeared in 1876.

The logical result of this state of things was described by M. Robert in 1870. "Participation, doubtless from no fault in the principle, but in consequence of certain administrative proceedings, no longer bears in the Orleans Company the fruits which it produced ten years ago, in 1860 for example. The spur has become somewhat blunted. Formerly participation procured for those entitled to it two simultaneous advantages, a yearly bonus and the right to a pension. The addition of less productive lines of railway has diminished the distributable amount. Further, the regulation permitting variable sums to be granted to employees for distinguished service is enforced in such a manner that, for the mass of subordinates, participation in profits no longer produces either bonus or reward. It is solely equivalent to an eventual right to a pension, and the employees of the Orleans Company will henceforth much resemble those of the State Offices. . . . The cash dividend to the staff having come to nothing, the zeal and emulation of a goodly number among them have disappeared, together with the hope of this legitimate remuneration. *Cessante causa, cessat effectus.*"

For over ten years now, the bonus realized has not even reached the 10 per cent. fixed for the pension account. But as the State guarantees a certain dividend to the shareholders, so it also allows the com-

pany to class the allotment for pensions under "working expenses," the state thus making up the deficiency in the bonus. Whatever losses, then, the company may incur, the employee who has served it for twenty-five years receives a pension equivalent to half of his salary. The Orleans Company does not withhold any

## PARIS AND ORLEANS RAILWAY.

YEAR.	NUMBER OF PARTICIPANTS.	RATIO OF BONUS TO ANNUAL WAGES.	YEAR.	NUMBER OF PARTICIPANTS.	RATIO OF BONUS TO ANNUAL WAGES.
		<i>Per cent.</i>			<i>Per cent.</i>
1844	719	6.81	1864	6,997	20.67
1845	816	16.66	1865	9,712	14.40
1846	957	25.53	1866	10,181	13.88
1847	1,269	22.21	1867	10,472	13.23
1848	1,305	1.72	1868	11,376	12.15
1849	1,065	17.73	1869	12,220	10.93
1850	1,025	14.28	1870	12,484	10.00
1851	1,004	22.33	1871	12,890	12.15
1852	2,800	34.11	1872	13,727	11.00
1853	3,365	40.96	1873	14,165	10.60
1854	4,397	25.00	1874	14,234	10.25
1855	4,837	27.00	1875	14,481	10.20
1856	5,187	24.00	1876	15,080	9.76
1857	5,765	25.30	1877	15,293	9.40
1858	5,940	23.10	1878	15,321	9.32
1859	6,009	23.75	1879	15,423	9.26
1860	5,991	24.10	1880	15,743	9.05
1861	6,052	23.50	1881	16,085	10.00
1862	6,194	22.70	1882	16,935	10.00
1863	6,742	21.60			

part of an employee's salary, as do other companies, to establish this pension; and it thus stands in an attitude of exceptional liberality. But the employee, under the existing conditions, has absolutely no pecuniary interest in increasing the profits of the company. The articles of the Statutes and Regulations relative

to participation still remain ; but if participation can be said to exist, it is only in a dormant state. If ever the company should be able to reimburse to the State the sums advanced under its guaranty, then participation might revive. The obvious moral from the experience of the Orleans Company, in respect to State interference with the profit sharing system, needs no discussion. It is sufficient here to note the entire applicability of the plan in the operation of a large railway.

The number of employees of the company not on salaries was about 10,000 in 1883. The whole sum divided among salaried employees from 1844 to 1883 was over 70,000,000 francs.

The Louis of Hesse Railway Company (Germany) divides  $1\frac{1}{2}$  per cent. of its net profits among its agents. Engineers, firemen, and common workmen are not included in this arrangement. The basis of division has been changed several times since 1866, but now  $42\frac{1}{2}$  per cent. of the bonus falls to the superintendents and superior *employés*; 55 per cent. goes to the inferior *employés*, and  $2\frac{1}{2}$  per cent. takes the form of rewards. The bonus has varied from 28,084 florins in 1869 to 93,159 marks in 1884.

The Geneva Horse-Railroad Company (*Cie. des Tramways Suisses*) introduced profit sharing into its statutes in 1876. Each driver and conductor was to receive after the first six months  $\frac{1}{2}$  of one per cent., after eighteen months 1 per cent., and after thirty months  $1\frac{1}{2}$  per cent., of the monthly gross receipts of his car. The other employees were to receive "progressive wages." The statutes determine the regular wages, which rise with every year of service. The results of this experiment have not reached me.

The Towing Company of the Haute-Seine (Paris) is a joint-stock company with a capital of one and a half million francs. It employs from 85 to 90 men, whose wages are about equal to one third of the annual receipts, and to

one eighth of the capital. In 1873 it established a retiring fund, with an original gift of 10,000 francs, on the system of M. de Courcy. For some years it contributed a fixed 10 per cent. of the net profits to this fund; but the sum is now determined by the annual meeting of stockholders. The deposits receive 4 per cent. interest: on December 31, 1883, the amount had risen to 90,181 francs, exclusive of sums paid out. "In all respects," wrote M. Roux, the manager, "the Towing Company has only to congratulate itself on the establishment of the fund. The advantages of this institution are more and more appreciated by the force, which is much more stable than formerly."

The **Saxon-Bohemian Steamboat Company**, in its report for 1886-87, gives the particulars of a direct division of profits among its officers and employees for the first time. Previously it had contributed 3 per cent. of the profits to support a pension fund; in 1886-87 it declared a dividend of another 3 per cent. as a bonus to the servants of the company. The rules were altered to provide that, before announcing a dividend to stockholders, the above 3 per cent. for the pension fund, and an amount up to 3 per cent. for a bonus, should be deducted from the net profits. In 1886-87 the stockholders' dividend was 18 per cent., and the bonus was over 6,000 marks.<sup>1</sup>

The **Suez Canal Company** established a system of participation in 1865, when it began operations. Sixty employees at Paris, and several hundred agents in Egypt, belonging to the administrative and working forces, enjoy the benefit of a share in the business of the company. Two per cent. of the net profits are distributed annually, this figure amounting in 1883 to 600,000 francs. It constitutes a retiring fund, furnishing liberal pensions. But when this fund is more

<sup>1</sup> Compare, in Chapter VIII., the cases of the Zurich Steamboat Company and the Berlin-Anhalt Railroad; and, in Chapter VII., the scheme adopted by a Michigan railroad company.

than sufficient to meet all demands upon it, 10 per cent. of it goes to a reserve and aid fund, and the remainder falls, first, to the retired list, to increase their pensions to a given amount; and second, when this limit is reached, to the employees in active service. "This institution," says M. Ferdinand de Lesseps, "maintains a complete solidarity between the company and its employees. These form one family. Every day the telegraph indicates the receipts of the day before, and all are happy when the amount has been increased. Participation has been useful to us in every respect, and I have never found the least difficulty on the part of my working force."

The Compagnie Générale Transatlantique (ocean steamers), of Paris, of which M. E. Pereire is now president, has interested every class of its employees in the profits of the company since 1877. The administrative staff receives a direct percentage on profits; other officials a dividend on a certain number of shares assigned to them; all the remaining employees receive *general* premiums in proportion to the profits of the year, and *special* premiums which are different in each branch of the service. These premiums average about 15 per cent. on wages and salaries. "Each year," says M. Pereire, "I have been able to perceive the notable improvements which result from the system of premiums. A very sensible diminution of expenses and an important increase of receipts have been produced, and a sort of rivalry has been established between the different branches of the service."



## II. DISTRIBUTION. — THE BON MARCHÉ.

One of the largest distributive establishments in the world is the far-famed **Magasin au Bon Marché** on the Rue du Bac, Paris. It is an immense retail store for the sale of a great variety of manufactured goods, which employs altogether some three thousand persons, and its business is said to amount to thirty millions of dollars annually. Its founder was M. Jacques Aristide Boucicaut, who was succeeded by Madame Boucicaut, his widow. Before his death, in 1877, M. Boucicaut had introduced the participation of employees in the profits of the house under two distinct forms, and Madame Boucicaut added two other forms. The employees in the *Bon Marché* at the present time are therefore sharers in the profits of the enterprise in one or more of four different ways, according to the grade of their employment. The history of this enterprise, which has developed into an almost complete coöperative and participatory establishment, is worthy of detailed notice. M. Boucicaut's career had numerous points of resemblance to M. Leclaire's: they were both men of the people, who achieved distinguished success through great business ability; both were sagacious philanthropists, who used their good fortune to improve the condition of the class of workers from which they had themselves sprung. Leaving others, who considered themselves qualified for the task, to regenerate society entirely, the founders of these two business houses restricted themselves to a field which they knew thoroughly from their own hard experience in early life.<sup>1</sup>

<sup>1</sup> The following biographical sketch is drawn from the *Bulletin de la Participation* for 1881, pp. 3, 4. The translation is mainly Mr. S. Taylor's.

M. Boucicaut was born in 1809 at Bellême (Orne). The son of a hatter in a small way of business, he had to begin early his apprenticeship to a laborious life. The retail trade in stuffs used formerly to be carried on in the country by salesmen traveling from town to town, and it was in this way that the young Boucicaut started out. He accompanied one of these perambulating venders in a very subordinate capacity: while the goods were being unpacked at the inns he had to look after the horses and the van. His situation was precarious and often unhappy. Before long he came to Paris, and entered as *employé* the *Magasins du Petit Saint Thomas*, where he distinguished himself, and soon became superintendent. By making great exertions, he succeeded in educating himself; he loved books and was naturally inclined to study. His duty taking him several times to England, he managed, by dint of energy and patience, to learn English, constantly studying in the coach or in the railway carriage his grammar or his reading-book. It was in 1852 that he acquired the establishment, then a very modest one, called the *Bon Marché*, doing a business of not more than 45,000 francs a year, to the development of which he devoted all the powers of his high intelligence, prodigious activity, accurate taste, and commanding capacity of directing a vast organization, and at the same time keeping a firm grasp on the smallest and seemingly most insignificant details. Persons who knew M. Boucicaut say that to all these gifts were added a happily constituted character, excellence of heart, and perfect uprightness.

From the day when he felt himself justified in counting on permanent success, he determined to put his favorite philanthropic ideas into practice. He had

risen from the lowest rung of the ladder; he had painfully climbed all the succeeding rounds in his business; he had seen other employees suffer, and had suffered himself, from abuses inherent in the current modes of doing business. He desired that the experience he had so laboriously gained might not be lost, but some day prove of service to all engaged in his branch of trade. His favorite idea, the thought nearest his heart, was to improve the condition, moral and material, of persons in his own line of life. As he had belonged to the class of commercial employees designated by the nickname "counter-jumpers" (*calicots*), he held it a point of honor to show what the young people who follow this career may be and ought to be, and especially to assist those whose talents were not adequate to the attainment of the lucrative post of head of a department or superior employee.

M. Boucicaut's success was such that in seventeen years the annual turn-over rose to 21,000,000 francs, more than forty-six times what it was when he first set up in business for himself. In the year 1869 he laid the corner-stone of new buildings rendered necessary by the enlargement of his business, and he deposited in it a document signifying his desire to give to the house a philanthropic organization which should testify his profound gratitude to Providence for his prosperity, and be of use to his fellow-men. But he was some seven years in ripening his plans. He precluded by granting subsidies to his employees who had taken part in the war of 1870; by founding a library and free classes for instruction in English, German, music, and fencing; by diminishing the hours of labor, and apportioning wages as strictly as possible on the basis of the sales made by the employees; and by in-

stituting a close sanitary supervision of their food and lodging. (In 1881 a hundred female employees were lodged in a building belonging to M. Boucicaut, and 1,400 of both sexes were fed in the establishment.) Finally, after consultation with the eminent economist M. Molinari, he established a Provident Fund (*Caisse de Prévoyance*), in July, 1876, for the benefit of his employees who had been in the house for five years or more. The superior employees, such as heads of departments and inspectors, already possessed a direct interest in the sales of their departments or in the general business of the house, and they were not included in the new arrangement, not being in need of it. M. Boucicaut started the fund with one donation of 31,500 francs, allotted on the basis of seniority, and another of 30,000 francs, allotted on the basis of wages, the foundation of all future allotments. The house engaged to contribute each year a certain sum, to be fixed by the proprietor, toward the increase of this Provident Fund. Each participant received a book opening his account, in which was entered his share of the two sums given in 1876; this, with all subsequent shares, was to accumulate at compound interest at 4 per cent., until the employee was sixty years of age, or had been in the service for twenty years. He could then draw the whole amount in cash. A female employee need be only fifty years old, or have worked for the house fifteen years.

“Our object,” said M. Boucicaut, in notifying the *personnel* of the house, in the name of himself and his son, of this new institution, “has been to insure to every one of our employees the possession of a small capital coming into his disposal in old age, or which, in case of his death, may be a benefit to his family.



We have wished at the same time to show them in an effective manner the close solidarity which ought to unite them to the house. They will better understand that their activity in work, attention to the interests of the house, and economy of the material intrusted to them, are so many duties which turn to the profit of each. They will be more thoroughly imbued with the principles which we never cease to set before them; they will know the better, from being more directly interested, that success depends on their efforts, on their good conduct, and on the care with which they endeavor to satisfy customers — our common object."

M. Boucicaut died in December, 1877, having made only one more gift to the Provident Fund, in July, of 60,000 francs. His son died ten months later. From that time up to December, 1887, Madame Boucicaut was the head of the house, and not only carried out her husband's plans, which he did not live to see fully realized, but enlarged upon them, in the same philanthropic spirit. In 1880 she took a decisive step toward coöperation by admitting as sleeping partners ninety-six heads of departments and other superior employees. The total capital was fixed at 20,000,000 francs, of which she held 12,500,000 and the associates 7,500,000, in sums varying from 50,000 to 500,000 francs, most of the shares being of the former amount. Several of these associates are simply the responsible representatives of groups of employees who have united their savings to procure a share in the house; thus a considerably larger number of persons than the ninety-six named in the deed of incorporation are actually partners.

Madame Boucicaut received a salary, as manager, of 60,000 francs. Interest was at 6 per cent. The



proper contribution having been made to the Provident Fund, and 10 per cent. having been set aside for reserve fund, the remaining profits were then divided *pro rata* among the shareholders. In case of losses, they were to be apportioned in the same ratio. Contribution to the reserve fund would cease to be obligatory when it reached twenty million francs. Madame Boucicaut was empowered to cede her capital in shares of 50,000 francs in favor of employees, as fast as they desired to obtain them; she could name one or three managers to take her place, and on her death the establishment was to become a joint-stock company.

M. Boucicaut's widow was not content until she had also made provision for retiring pensions. In 1885 she established a Retiring Fund, which she endowed with a million francs, a sum amply sufficient for the demands likely to be made upon it. But as she was anxious to provide generously for the old age of all who had contributed to the prosperity of the house, she further endowed the fund in 1886 with the sum of four million francs, into possession of which it was to come on her decease. The proprietors of the *Bon Marché* at the same time formed themselves into a Civil Society, with a capital of 400,000 francs, in order to second the Commercial Society, especially in the organization of the Retiring Fund. According to the rules adopted, this fund is supported by a levy of 5 per cent. on the profits of the *Société Civile*, by gifts and legacies, and the increase of its property. It assures to the employees who have been twenty years in the service of the firm, and are fifty years old (forty-five in the case of women), life pensions varying in amount from 600 to 1,500 francs. The supe-

rior employees, who are excluded from the benefits of the Provident Fund, have likewise no share in this privilege. The employee enters upon his pension only when he has retired from active service. The provisions of the fund are extended with great liberality in all cases where any employee, or his widow or minor child, is in need.

This remarkable establishment presented, as I have said, an example of profit sharing by the employee in four distinct forms. The upper servants of the *Bon Marché*, to the number of over a hundred, were co-partners with Madame Boucicaut, being holders of shares in the business, which the participation of previous years largely enabled them to purchase. By the extension of this principle, the establishment was some day to become a joint-stock coöperative company, like M. Godin's at Guise. The same class of employees, whether shareholders or not, directly and immediately participated in the profits of the undertaking in receiving a small percentage on the sales made in their respective departments. Their regular pay being high, and this percentage adding to it a considerable amount, they stand in no need of the advantages of the Provident and Retiring Funds which inure to the great body of the inferior employees. The Retiring Fund, drawing as it does 5 per cent. of the profits of the *Société Civile*, affords one definite deferred participation and the Provident Fund another deferred participation the proportion of which to the profits of the house is fixed by custom and not by agreement. In practice, the contribution of the firm to this last fund has ranged from 60,000 francs to 140,000 francs a year: it varies with the profits, but gradually increases with the increase of the business and

the growth in the number of those entitled to its benefits. The following table shows the number of participants and the amount of the fund from 1876 to 1887:

Year.	Number of Participants.	Capital of the Fund.
1876 . . . . .	128 . . . . .	61,500 fr.
1877 . . . . .	199 . . . . .	120,083 "
1878 . . . . .	275 . . . . .	200,641 "
1879 . . . . .	351 . . . . .	288,924 "
1880 . . . . .	443 . . . . .	377,223 "
1881 . . . . .	515 . . . . .	465,573 "
1882 . . . . .	592 . . . . .	567,835 "
1883 . . . . .	699 . . . . .	661,339 "
1884 . . . . .	738 . . . . .	763,832 "
1885 . . . . .	851 . . . . .	885,949 "
1886 . . . . .	995 . . . . .	1,009,130 "
1887 . . . . .	1,250 <sup>1</sup> . . . . .	1,150,375 "

These figures signify that in 1883, for example, some employees had 3,800 francs to their account, and many had over 2,000 francs. The tendency of the system is to attach participants very firmly to the house. The changes in the *personnel* are almost entirely among those who have not been five years in the house, and thus have not yet qualified for a share in the profits. In the first seven years after the establishment of the Provident Fund, said M. Fillot before the extra-parliamentary commission, out of 767 persons who held accounts, not more than 15 left the house: after five years' service, the employees very commonly remain permanently. "Many of the heads of departments," he continued, "being concerned in the profits of the house, are interested in making favorable purchases, in sustaining the good behavior of their deputies, in discovering all possible economies: in this

<sup>1</sup> In the year 1886-87 the five years' limit was passed by 280 new participants.

direction, we can only congratulate ourselves on our organization. Our Provident Fund is an altogether praiseworthy institution. It assures the less favored of our employees certain ease for the future, and it attaches them to the house. Every one is interested in the prosperity of the establishment: for this reason it has obtained very satisfactory results. In 1869 we had a strike; it was before the foundation of the Provident Fund, and it had a special character, which will not be reproduced. Strikes are impossible in our house, because the chief employees are interested in the profits realized. Besides this, the employees who have an account in the fund have, for the most part, too important a capital there to risk in any way the loss of it."

The regulations of the Provident Fund (*Prévoyance Boucicaut*) were somewhat modified in July, 1887, so as to enable the employees, for one thing, to draw one third of their account after ten years' service, and so on. Madame Boucicaut died on the 8th of December, 1887, at the age of seventy-two: she had conducted the business of the *Bon Marché* with great ability, and her gifts in her lifetime, and through her will, give her rank with a Baroness Burdett-Coutts. She bequeathed to every person connected with the establishment a sum ranging from 100 francs (to those who had worked one day and less than six months) to 10,000 francs (to those who had served ten years or more). To the Civil Society she left her favorite residence at Fontenay-aux-Roses, as a resort and a retreat for the slighter cases of sickness. The firm name, *Veuve Boucicaut et Cie.*, disappeared through her death, but the business has passed without a jar into the hands of the joint-stock company

provided for so carefully, under the name of *Plas-sard, Morin, Fillot et Cie.*, and the beneficent institutions remain unchanged, a perpetual monument to the memory of a noble pair, Jacques Aristide Boucicaut (well named after the Just man of ancient Greece), and Marguerite Guérin, his devoted wife.

### III. AGRICULTURE.

We will briefly notice under this heading but five cases of true participation applied to agriculture as distinct from product sharing. The first is the five years' trial of the system by Herr J. Jahnke, on his estate of some two hundred and fifty acres near Berlin, Prussia. The Bredow farm was devoted to the production of milk: the cows were bought, and the complications which breeding would introduce into the business were thus excluded. The operations were extremely simple, being confined to the keeping of twenty cows and five horses, and the selling of the milk. The methods of farming were those sanctioned by long practice. In 1872 Herr Jahnke, like the other farmers of the neighborhood, was troubled by the dearth, scarcity, and inefficiency of hired labor: he accordingly made an agreement with five married laborers of Nauen for an association to last five years. They were to perform all the work needful for carrying on the estate, paying for extra hands on occasion. Each man had a good cottage assigned him, with a garden plot, and was to have a certain allowance of turf, wood, butter, potatoes, etc. Each week in winter Herr Jahnke paid the five men 45 marks, and each week in summer  $52\frac{1}{2}$  marks, as advance wages, crediting himself with the whole sum thus furnished. The men were to deposit 30 marks each as caution money, and every



year at least as much more out of the profits coming to them; on these sums they drew 5 per cent. interest. On his side Herr Jahnke agreed to provide stock and capital, and to pay rent, taxes, and all other expenses. His salary as superintendent and accountant was to be 900 marks, and to constitute a first charge on profits. The net profits of the year were to be equally divided between himself on the one part and the laborers on the other, the wages advanced to the latter being deducted from their share.

The financial results for the first three years (all that Herr Jahnke communicated) were as follows:

Year.	Total Net Profits.	Employer's Share.	Each Laborer's entire Earnings in Wages and Share of Profits.
	<i>Mks. Pf.</i>	<i>Mks. Pf.</i>	<i>Mks. Pf.</i>
1872-73	10,559.50	5,279.75	1,055.95
1873-74	9,768.45	4,884.23	976.85
1874-75	10,986.56	5,493.28	1,098.66

The earnings of each laborer thus averaged 1,044 marks a year, while the value of his rent and allowances was set at 135 marks additional. The laborer's yearly share thus amounted to 1,179 marks. Baron Theodore von der Goltz, in his work published in 1875 on the condition of agricultural laborers in the German Empire, gave as the highest annual earnings in any part of the empire 664 marks. Making some allowance for the fact that these figures are probably below the truth, the laborer under Herr Jahnke is seen to have reached a sum very far above the average, even in North Germany.

The estate increased in value in these three years, 10 per cent. more of new land having been subdued.

In every respect the proprietor was thoroughly satisfied with his five years' experiment. In summer ten men did more work than fourteen had formerly done. The workmen, aided by their wives and children, avoided, as far as possible, hiring extra help, by the most strenuous exertions. When two of the five families withdrew, for good reasons, the other three took upon themselves the rights and duties of those who had left, and employed other hands steadily. The work in these years was performed better and more carefully than before; no anxious superintendence was needed; the men were economical of the materials and tools, breaking only one of the earthen milk-vessels, for instance, to a previous dozen: the only difficulties among the laborers arose from transient outbursts of over-zeal on the part of some. Herr Jahnke was never at a loss for laborers; he had no difficulties with his men concerning wages or work; he increased production, encouraged thrift among his men, and in every respect thoroughly succeeded. When the contract came to an end in 1877, however, he sold his estate. The reason he gave was the unexplained hostility of the neighboring land-owners, and especially of those holding the largest estates, to the system which he had introduced. The opponents of participation, he states, included three classes, — the proprietors who desired high prices and low wages, the laborers who wished to exchange a small quantity of poor work for high wages, and the persons who found their advantage in fostering misunderstanding between employer and employed. Herr Jahnke's successor on the estate did not continue his system. The abandonment of the plan was owing to circumstances which had no logical connection with its principles or its operations.

Baron Zytphen-Adeler, a member of the "Lands-thing," or second chamber of the Danish Parliament, is the owner of Dragsholm, the largest estate on the island of Zealand, giving employment to about one hundred persons. Since 1873 he has practised the following method of participation: Every year the net profits of the estate are calculated according to the established custom. There are then deducted as rent the value of 3,000 tons of barley, and as prizes for the best men 450 marks. The baron and his laborers divide the remainder equally. The half falling to labor is apportioned among the employees, by a detailed schedule, according to the responsible nature of their positions. The chief dairyman, for example, receives 10 per cent., the accountant  $3\frac{1}{2}$  per cent., the house-keeper 5 per cent., and each day-laborer 1 per cent., of the whole bonus, in addition to the usual wages. The participant receives three quarters of his share in cash, and the other quarter part is invested for him in a savings fund. The bonus for the first year under the new system, 1873-74, was 4,735 marks. The highest sum obtained by a field hand was  $51\frac{1}{2}$  marks; the average was about 20 marks, the amounts varying according to the number of days each man had worked. In 1874-75 the expenses were heavier; wages had risen, and the crops were poor, the rape harvest, in particular, having fallen off almost two thirds. The bonus was only 1,521 marks. But the baron perceived a distinct advance in the appreciation of the system by his employees, and found that it could cope with hard times. He renewed the contract for the third year, 1875-76, and had the pleasure of paying out a bonus of 6,250 marks. But the harvest of 1876-77 was so poor that it did not even meet the pre-

liminary allowance for rent. The employees realized the situation, and showed no discontent at the failure to receive a bonus. The good effects of participation showed themselves with increasing force during each new year, as the laborers were gradually educated up to it: their zeal and carefulness multiplied notably. In 1875-76 the harvest on this largest farm in Zealand was gathered eight days earlier than on most of the small farms in the neighborhood. This unprecedented result, of the highest importance, showed the exceptional activity and perseverance of the whole body of workpeople. The following incident tends the same way. "One day," writes Baron Zytphen-Adeler, "they were sowing rye. When, at half past seven in the evening, I found the people hard at work, I remarked that anyhow they would not succeed in finishing that day the two and a half acres still remaining to be sown. But the workmen answered with one accord that it *must* be done, and it *was* done!"<sup>1</sup>

Herr J. Neumann, proprietor of an estate in Posegnick, East Prussia, with two connected farms, instituted participation on one of his holdings in 1854. He gradually extended the system to his other farms, and since 1866 these have been the regulations: Four per cent. interest is allowed on the capital invested, and 5 per cent. on the sum spent during the year in working and improving the estate. Eight per cent. of the remainder goes to the regular workpeople in equal shares, each family receiving at least two where the woman of the house works. The sowers receive a quarter or half part more, and the overseer's bonus is a double portion. The workpeople caring for the flocks and

<sup>1</sup> None of the sources of information open to me gives later details of participation at Dragsholm than those in the text: the system is probably still in operation.



herds are provided for, outside the participation, with prizes. The shares of the net profits are paid two thirds in cash, and one third in an obligatory account in a savings fund which allows  $4\frac{1}{2}$  per cent. interest. If the whole sum falling to a family of two, which has averaged about 45 marks, were thus invested, in twenty-five years it would afford a capital of 1,175 marks, or in thirty-five years 1,575 marks, a considerable property by the side of the poverty of most of the laborers in this region when they become incapable of work. The amount of the bonus on Herr Neumann's three estates has varied greatly, according to the harvest. The average sum has not been large enough to produce such striking results as were attained at Dragsholm. The East Prussian laborer is comparatively heavy and illiterate, and a large bonus would be necessary to stimulate him to his utmost exertion. But Herr Neumann, after thirty years' trial of participation in one form or another, still "knows no better means for exciting the workman to be zealous and industrious, . . . and attaches great value to this feature, that participation obliges the workpeople to interest themselves in the savings bank." The results thus far attained are encouraging, and may reasonably be expected to improve as the laborers reach a higher level of intelligence.

We come now to the longest established case of profit sharing in agriculture. Herr J. H. von Thünen, an economist of distinction, introduced in 1847 a scheme of participation on his estate of Tellow, near Teterow, in Mecklenburg-Schwerin, which has continued, essentially without change, to the present day. The participants (now twenty-two in number) are the regularly employed workpeople occupying cottages on the estate, together with the schoolteacher, the pastor, the weaver, and the smith, who are expected to take part in the harvest. When the inventory drawn up on the 30th of June shows a clear profit over 18,000



marks (up to 1873 this sum was 16,500 marks), each participant is entitled to one half of 1 per cent. of the surplus. If the above limit is not reached in any year, the deficit is charged to the next year's account. The bonus is credited to a savings account; interest money, at 4 per cent. (formerly  $4\frac{1}{2}$  per cent.), is paid in cash each Christmas. The participant can draw his capital when he is sixty years old; in case he dies before this time, his widow or children inherit. The table exhibits in a forcible manner the variations in bonus which are caused by poor harvests and low prices: —

YEAR.	BONUS TO EACH FAMILY.	YEAR.	BONUS TO EACH FAMILY.	YEAR.	BONUS TO EACH FAMILY.
	<i>Mks. Pf.</i>		<i>Mks. Pf.</i>		<i>Mks. Pf.</i>
1847-48	31.80	1859-60	87.48	1871-72	89.58
1848-49	29.16	1860-61	92.28	1872-73	80.58
1849-50	56.62	1861-62	33.48	1873-74	39.54
1850-51	63.84	1862-63	151.56	1874-75	89.64
1851-52	42.48	1863-64	155.52	1875-76	16.08
1852-53	34.32	1864-65	97.08	1876-77	—
1853-54	70.74	1865-66	5.70	1877-78	19.50
1854-55	137.22	1866-67	30.00	1878-79	13.00
1855-56	82.92	1867-68	84.86	1879-80	50.00
1856-57	103.08	1868-69	79.68	1880-81	88.00
1857-58	86.16	1869-70	73.98	1881-82	78.00
1858-59	86.64	1870-71	81.42		

In the year of no bonus, 1876-77, there was also a heavy deficit of 8,780 marks on the prescribed 18,000: this was made good from the surpluses of the next two years. Herr von Thünen's system, analogous to that practised by M. de Courcy in the insurance business, aims first of all at a provision for old age. The results of it are seen, as might be expected, not so much

in an extraordinary increase of care or diligence, as in the securing of a permanent body of workpeople interested in the welfare of the estate. Herr A. von Thünen, who has succeeded his father and grandfather in the ownership of Tellow, thus expressed himself in a letter to Dr. Böhmert, after the system had been in operation thirty years: "The institution has approved itself, and borne the fruits which my grandfather hoped from it, at least with the majority of our people; exceptions are of course to be met with here as everywhere. The share in profits retains the people on the estate, as, if they quit it, they do not receive their capital, but only the interest upon it. It secures the workman an old age free from care, and so diminishes the burden of poverty on the estate. It creates common interests for the proprietor and the laborers, and thus brings about a better understanding between the two parties. At the outset most of the people were, I believe, somewhat dissatisfied because their share was not paid over in cash. But by slow degrees, as the capital of individuals grew, they recognized the excellence of the system on this point also, for with many of them the interest which they receive in an ordinary year exceeds the share of profits annually allotted to them." Four years later, in 1881, Herr von Thünen wrote to Mr. Sedley Taylor: "The results of the participatory arrangement here are very gratifying."

On his estate Chateau-Montrose (Saint Estèphe, Médoc) M. Mathieu Dollfus divides profits with the farm-hands. Every thirty-first day of December the harvest is reckoned; expenses and 5 per cent. interest are deducted, and of the remainder 5 per cent. goes

to form a provident fund, to be divided among the men on the basis of their earnings, after one year's service.<sup>1</sup>

<sup>1</sup> Dr. Böhmert includes in his work several instances of product sharing, and of rent paid in kind, which do not fall under the head of profit sharing: such is the brief but highly interesting experience of Mr. Vandeleur on his Ralahine (Ireland) estate, of which Mr. Sedley Taylor has also given a full account.

## CHAPTER VI.

### INDUSTRIAL PARTNERSHIPS AND PROFIT SHARING IN ENGLAND.

#### I. HENRY BRIGGS, SON AND CO.

CHARLES BABBAGE, the eminent mathematician, was the first English economist to recommend participation in profits.<sup>1</sup> The first thorough trial of the scheme was in the collieries belonging to the firm of Henry Briggs, Son and Co., situated in the neighborhood of Normanton, in the West Riding of Yorkshire. Normanton lies some three miles northeast of Wakefield, and twenty-four miles south-southwest of York, well within the great Yorkshire and Derbyshire coal field. The Whitwood and Methley Junction Collieries were worked by the Briggs firm on the common private partnership plan up to the 1st of July, 1865, when the system usually known in England as Industrial Partnership was introduced. The change was a last resort of the owners to retrieve the fortunes of their business, which had fallen very low in consequence of dissensions, almost incessant, between the firm and its workmen. During the ten years preceding 1865 there were four strikes, which together covered seventy-eight weeks, a year and a half. Thus, for more than one year in seven, the collieries were

<sup>1</sup> His remarks have been quoted in the chapter on Product Sharing, p. 28. The famous Briggs case demands the full exposition given in this chapter.

entirely idle, and for no small part of the remaining time their working was interrupted by disputes of a minor character.

The extremely bad state of feeling that existed in the Whitwood mines in 1865 can best be understood through a somewhat detailed account of the relations of the Messrs. Briggs to the trades unions of West Yorkshire.<sup>1</sup> Between 1844 and 1858 there was but one strike among the miners of this district. The workmen of Messrs. Pope and Pearson struck for higher wages in 1853; the strike lasted five months. During this period the workmen were supported by the other miners of the West Riding, and the firm received assistance in money from the union of employers. At this time, out of seven thousand miners in the Leeds district, only two thousand belonged to the union, and this was the first occasion on which they acted together. Messrs. Pope and Pearson were compelled to yield, the increased pay was granted, and the union fell into "innocuous desuetude." The General Association of employers, which had been in existence for thirty years, continued, as before, to meet from time to time, in a somewhat secret way, to fix the price of coals and the rate of wages, to revise the "black list," and to keep a watch on legislation affecting their interests. In March, 1858, the association ordered a reduction of 15 per cent. in wages, moved thereto by the over-production of several preceding years. To oppose the reduction, the workmen of the Leeds district formed the South Yorkshire Miners'

<sup>1</sup> Throughout the following narrative of the fortunes of the Whitwood collieries, I am greatly indebted, for many details, to Dr. H. Frommer's essay, *Die Gewinnbetheiligung*, etc., pp. 15-34: often I have followed his account closely, as it is based upon contemporary documents.



Association, this being one of the rare instances in which a union has been formed under provocation from the masters. The strikes began in April and increased in number, until, toward the end of the summer, the masters decided upon a general lockout. The miners were evicted by wholesale, and thousands of them camped out in the fields for weeks after weeks of the unwholesome season. Their obstinacy conquered. At the end of November one firm surrendered and concluded a separate peace. Wages were reduced only  $7\frac{1}{2}$  per cent. The other firms soon followed suit, and in March, 1859, the remaining  $7\frac{1}{2}$  per cent. was restored without a strike. The pecuniary loss was great, the men having lost some 40,000*l.*, and the masters even more. A union had been formed, destined to be permanent, and distrust and hatred of the employers, on the part of the employees, were extreme. The Briggs firm was the especial object of suspicion and anger, as Mr. Henry Briggs was chairman of the Employers' Association, and prominent in all their proceedings. The practice of "confiscation"<sup>1</sup> soon after gave rise to another strike and lockout, but the miners again came out victorious, and the abuses of "confiscation" were reformed.

The unions had been gathering strength for several years, when, in 1863, the Briggs firm determined upon trying conclusions to the uttermost with them. On

<sup>1</sup> "Every time a tub of coal on coming to bank was found, on weighing, to be under a certain weight, or to contain a certain proportion of earth or stone mixed with the coal, it was declared forfeited; the contents were emptied into the *dépôt*, but it was not carried to the credit of the pitman who sent it up, and he received no payment for his labor. . . . This system in certain cases may be necessary, but is clearly liable to great abuse." — *The Trades Unions of England*, by M. le Comte de Paris, pp. 125, 126.

the 12th of June notice was posted of a reduction of wages in the Whitwood collieries. "Riddling" underground was to be restored.<sup>1</sup> This process caused the miners much trouble and extra work, and the compensation offered (one penny per ton) did not satisfy them. Another strike ensued, confined to the collieries of the Messrs. Briggs and Messrs. Pope and Pearson, but far more bitter and violent than that of 1858. Mr. Henry Briggs was determined this time to break up the unions, which he regarded as the cause of the labor disturbances. The firm declared a lockout, took measures to prevent the men from obtaining work elsewhere, even in breaking stone on the highway, and evicted them from their tenements with a severity which found unwilling aid from the policemen called in. For long months of the hard winter the ejected families camped out in miserable huts or tents, and even under the open sky, on the bare ground. In the mean time Mr. Briggs procured laborers from Staffordshire and Derbyshire. Despite the efforts of the leaders of the striking colliers, hostilities were not long in breaking out: the new men who had taken possession of the tenements were attacked one September night, and "a serious riot followed, which was with difficulty put down by the police." The authorities charged with keeping the peace complained loudly of the disorder and expense which sprang from the strike. Finally, the Messrs. Briggs were obliged to abate the rigor of their demands, and a compromise was made in which each party claimed to have won. The old hands returned

<sup>1</sup> "Riddling" consists in separating the larger pieces of coal from the dust and other waste by means of a sieve: the practice had been given up several months before at Whitwood, because there was then a great demand for coal, and the coal-waste, which was usually unsalable, could be delivered with the coal.

to work with the inefficient new-comers, while wages were raised, and the conditions of labor lightened.

Such was the history of the firm of Henry Briggs, Son and Co. up to 1865. Their relations with their workmen were of the most unsatisfactory nature. Their repeated efforts to break down the growing power of the trades unions had been baffled. The workmen, who had suffered all the hardships of exposure to the winter's cold when ejected from their homes, returned to them overflowing with hatred of the employers, who represented to them all the heartlessness and cruelty of Capital trying to beat down Labor. It is not strange that even the most reasonable regulations which the Messrs. Briggs could make for the conduct of their business met only suspicion and opposition, and that misunderstandings and petty conflicts between the two parties were the order of the day. "All coal-masters is devils, and Briggs is the prince of the devils," said one of the workmen; while another, Mr. Toft, exclaimed at a union meeting in 1863, "If Mr. Briggs only had horns on, he would be the very devil." Mr. Briggs, without doubt, fully returned these compliments, if he did not utter them. The firm had suffered great losses through its repeated contests with its men. The rate of interest received on the capital invested averaged barely 5 per cent. for ten years, and a partner, heavily interested, about this time withdrew. Mr. Briggs seemed to be forced to the extreme measure of going out of business and selling his collieries at a great sacrifice.

In this conjuncture he determined upon a radical change of policy. His hostility to the trades unions was undiminished; but he conceived the plan of undermining their influence with his men through the for-

mation of an Industrial Partnership.<sup>1</sup> The Companies Act of 1862 opened the way for the legal formation of such a business association, and on the 1st of July, 1865, the new joint-stock company went into operation. The capital of the old firm had been, in 1860, 75,000*l.*; in 1865 it amounted to 86,000*l.* Increasing this sum in a moderate degree, the new company issued nine thousand shares of the value of ten pounds sterling each: soon after, another thousand shares were put out. Of the first issue the Messrs. Briggs retained two thirds, thus wisely securing to themselves the sure control of the business. The remaining third they offered for sale, preference being given to the officers, agents, workmen, and customers of the company over the general public. The managers were to receive the average salary paid in the district for superintendence, and the workmen were to be paid the current rate of wages.

The feature which made a radical change in the situation was not the admission of the employees to the ownership of shares in the company, but the profit sharing measure thus described in the preliminary prospectus issued in November, 1864:—"In order, however, to associate capital and labor still more intimately, the founders of the company will recommend to the shareholders that, whenever the divisible profits accruing from the business shall (after the usual reservation for redemption of capital and other legitimate allowances) exceed 10 per cent. on the capital embarked, all those employed by the com-

<sup>1</sup> His son, Mr. H. C. Briggs, was incited to this step by reading lectures by Professor H. Fawcett delivered in 1864. It seems to have been purely a business expedient, with no profession of any philanthropic motive.



pany, whether as managers or agents at fixed salaries, or as workpeople, shall receive one half of such excess profit as a bonus, to be distributed amongst them in proportion to, and as a percentage upon, their respective earnings, during the year in which such profits shall have accrued." Thus, after making allowance, first, for the usual reserve fund; secondly, for a 10 per cent. dividend on the capital (5 per cent. for interest, and another 5 per cent. for risk); and, thirdly, for the salary of the management, the remaining profit was to be equally divided between the shareholders on one side and the employees (whether they worked on salary or on wages) on the other. Two conditions, the first important and the second insignificant, were to be observed by the workman. If he did not take a share in the company, his bonus was to be only two thirds of that received by a workman who was also a shareholder; and if he did not at the outset qualify himself for participation in the profits by purchasing a penny-book, in which his wages should be entered at least once a fortnight, he remained entirely outside the division of profits. It was but a natural consequence of the previous irritation, not to be healed at once by a prospectus, that the workmen bought very few shares. The extent of their hostility is measured more exactly by the fact that not more than thirty per cent. of them had sufficient confidence in the firm to invest a penny in a wages-book! They appear to have distrusted, not the scheme, but the sincerity of the managers. One of the workmen expressed the prevailing feeling: "Well, the thing is good, but you know it comes from Briggs, and I have no faith in Briggs."

Yet this distrust, however natural, was not justified



by the event. The Messrs. Briggs, whatever may be the proper share of blame due them during the civil war which so long raged or smouldered previous to 1865, carried out the provisions of the new scheme with the utmost fidelity. Their conversion, if sudden, was complete: they abstained most carefully, during the first seven years of profit sharing, from any interference, direct or indirect, with the trades unions. They retained, of course, the entire control of the business and of the accounts; but they called together on occasion a committee of the workmen, to consult with them on proposals for improving the processes of coal-mining, and at the end of each business year a public accountant chosen by the shareholders was employed to verify the accounts.

As the first year of the new system wore on, the men ceased to attribute to the directors concealed schemes against the unions; and when the result of the twelve months was declared, it made a profound impression upon them. For the directors were able to announce a 10 per cent. dividend on the paid-up capital, and also a 2 per cent. bonus. The sum of 1,800*l.*, equivalent to 2 per cent. on the capital, was allotted to the employees who had qualified themselves to be participants. The distribution of this considerable sum among the holders of the penny-books was as effective an object-lesson as was the bag of coin which M. Leclair threw upon the table for division among his participants in 1843. Eighty per cent. of the whole body of miners hastened to qualify themselves for future distributions, and there was a feeling of general satisfaction with the new system.

The Messrs. Briggs themselves became enthusiastic apostles of industrial partnership. In 1866 they made

to the Social Science Association of Great Britain a highly favorable statement of the working of the plan on its first year's trial, and subsequent communications to the same body showed that Mr. Henry Currier Briggs (who succeeded his father, Mr. Henry Briggs, as chairman of the directors, on the death of the latter in 1868) realized the importance to the industrial world of the experiment at the Whitwood collieries. He had devised the plan for taking the miners into partnership, and its immediate success led him to develop and publish to the world a full theory of profit sharing, which he supported by reference to the continued prosperity of his company. His brother, Mr. Archibald Briggs, heartily seconded him. The testimony of the two before the Trades Union Commission in 1868 added greatly to the impression made by their previous statements to the public. Distinguished friends of the working classes greeted these accounts with the deepest sympathy, and through their publications, the papers read before the Social Science Association, and the writings of political economists of the most diverse schools, the firm of Messrs. Henry Briggs, Son and Co. attained a reputation which it is hardly an exaggeration to call world-wide. The "gratuitous advertising" thus given the Whitwood collieries may have contributed in some degree to the unflinching financial success of the years 1865-1872. But the Briggs name became familiar to thousands of readers who had no business relations with the firm. The new system was explained and heartily approved by John Stuart Mill in his "Principles of Political Economy;" by W. T. Thornton in his work "On Labor;" by Henry Fawcett; by Louis Blanc; by George Jacob Holyoake, the veteran Chartist and coöperator;

by J. M. Ludlow and Lloyd Jones in their "History of the Working Classes of England;" by Thomas Hughes, and Frederic Harrison. Students of social economy in other countries, like Dr. Engel, director of the Royal Bureau of Statistics of Prussia, and the Comte de Paris in his work on the "Trades Unions of England" (English edition, 1869), were as ready to receive the plan of industrial partnership as a solution of the controversy between employer and employee. As long as the experiment continued at Whitwood it furnished the standard example of just relations of master and man, to which every writer on labor felt bound to devote attention. Of the many descriptions of the new system published between 1866 and 1874, the lecture by Professor W. Stanley Jevons "On Industrial Partnerships" <sup>1</sup> was the most comprehensive and sufficient. "The Whitwood collieries seem to me," said Professor Jevons, "to furnish all the requirements of a perfectly decisive experiment."

When he thus spoke, four complete years had elapsed, in the last three of which the financial results of the undertaking were even more satisfactory than they were at the end of the first year. For the year 1866-67, the bonus to capital, over and above the stipulated 10 per cent. dividend, was 2,700*l.*, equal to 3 per cent.; for 1867-68, it was 3,150*l.*, or 3½ per cent.; for 1868-69 it was 3,462*l.*, or 3⅓ per cent. (the capital having been raised to 100,000*l.*). The bonus paid to the employees, on the basis of their wages, was of the same amount each year as the above divi-

<sup>1</sup> The lecture was delivered under the auspices of the National Association for the Promotion of Social Science, April 5, 1870, and is reprinted from the *Contemporary Review* in *Methods of Social Reform and other Papers*, MacMillan and Co., 1883, pp. 122-155.

dend to capital. Then came two years of comparative depression in the coal trade, in which the bonus diminished. In 1869-70 it was  $1,740\text{L.} = 1\frac{2}{3}$  per cent. on capital; in 1870-71,  $1,745\text{L.}$ , giving the same per cent. The next year witnessed the beginning of a great inflation in the trade, which continued for three years, and which may fairly be said to have brought about eventually the abandonment of the bonus.

Before entering upon the story of the last three years for which profit sharing continued at Whitwood (1871-72 to 1873-74, inclusive), it is desirable to consider fully the previous six years by themselves. During this considerable period the coal trade was subject to no extreme variations. The first four years were years of average prosperity; the next two, though not so good, were not years of extreme depression, such as followed upon the inflated period. The violent changes which mark a business properly entitled "speculative," and which are extremely unpropitious for the success of industrial experiments, were paralleled in the coal trade between 1871-72 and 1874-75. Profits were enormous in 1872-73, but from 1874-75 to December, 1881 (at which time Mr. A. Briggs wrote his "Memorandum"), there would have been no bonus available for division among the workmen, had the industrial partnership system been still in force at Whitwood.

Looking, then, at the first six years of the experiment, we find these to be the results of profit sharing: First, the financial outcome to the stockholders was in the highest degree satisfactory. Whereas, in the ten years previous to 1865 the dividend on capital scarcely averaged 5 per cent., in the six years following a regular dividend of 10 per cent. was earned; beside



this, the stockholders received as bonus, in these years, the total sum of 14,597*l.*, equivalent to  $15\frac{1}{6}$  per cent. on their investment. As the workmen received the same amount of bonus, the total for the six years was 29,194*l.* The average bonus realized each year was thus nearly 5,000*l.*, which brought up the total average annual profit to 15 per cent., three times the dividend realized in the ten years 1855-65! Of this 15 per cent.  $12\frac{1}{2}$  went to the shareholders, and  $2\frac{1}{2}$  to the employees. The person who was simply a stockholder in the company could thus felicitate himself on the fact that profit sharing had multiplied his dividend two and one half times. But it must be remembered that the Messrs. Briggs, who controlled two thirds or more of the shares, united in themselves the functions of the capitalist and the *entrepreneur*, receiving the usual salaries for management. As managers they were reckoned among the employees of the company, and received the usual bonus on wages. Thus they profited to the full by the entire percentage of increase.

On the other hand, the workman who had made a small investment of his savings in one share or more, as he was encouraged to do, likewise shared the profits of the stockholder (dividend and bonus) and those of the employee. For the first year, 1865-66, the regulations of the company gave to the workman who was also a shareholder twice the amount of bonus allotted to the workman who held no share; so that in 1866 the shareholding workman got a bonus which amounted to 10 per cent. on his wages, and the other but 5. The next year this proportion was changed, and the percentages received were 12 and 8; and this ratio was maintained as long as the partnership



continued.<sup>1</sup> The average bonus to employees for the six years was, as we have seen,  $2\frac{1}{2}$  per cent. of the capital. The Comte de Paris is the only accessible authority who has given the proportion which the bonus to the employee bore to his wages; and he has done this only for the two years just instanced. If the shareholding workman's bonus on his wages, however, was 10 per cent. for 1865-66, and 12 per cent. for 1866-67, a rough calculation (on the basis of the bonus to capital) will give an average percentage of his bonus to wages of 9, while that of the non-shareholding workman was 6, for the period in question. The common workman would yet be much more impressed by the actual sum received at the end of the business year than by the percentage it bore to the whole year's earnings. When the dividends were distributed, numbers of men left the pay office, according to the Messrs. Briggs, "richer men than they had ever been before. Many had a five-pound note in their possession for the first time, and some few had two."

Such were the happy financial results of profit sharing: dividends three times as great as they had been, and a bonus to capital and labor, averaging five thousand pounds sterling a year. The inquiry at once arises as to the source from which these large gains were derived. If these were years of average prosperity in the general trade, the source of the enlarged profit must be sought in the new system. If it be said that the previous relations of employer and employees were exceptionally bad, it must be remembered that em-

<sup>1</sup> In the early part of the year 1869, out of 989 adult workmen. 144 held 178 shares, equal, at par value, to 1,780*l.*, and representing three years' savings. Not a single instance had then occurred of a workman failing to pay the final instalment on his share. The highest number of shares held by one man was six.

ployers and employees were the same under the new plan as under the old. While, then, in another establishment, where master and men lived together in more harmony, the introduction of the industrial partnership might not have produced results *relatively* so great, the actual dividend and bonus might have been higher than in the Briggs case, because of the greater confidence in the management felt by the workmen. In 1868 one of the working pitmen at Whitwood testified: "There is a hostile feeling yet, which will take years, I believe, to cure." This hostility could hardly have been well extinguished before events occurred which led to its breaking out again, and to the abandonment of the industrial partnership. That under the existing relations in 1865 Profit Sharing should have brought such excellent pecuniary results to the Briggses and their men, is a proof of the capacity of the system to work well in an unfavorable medium. Under more auspicious circumstances the bonus realized on wages at Whitwood has often been exceeded.

The profoundest change wrought by the new system was a moral one. The feeling of the miners underwent a gradual change for the better as time went on. As they perceived the perfect honor with which the Messrs. Briggs carried out the plan that was to make a partner in the business of every workman, the hatred and "ingrained distrust" began to yield. The passions of a time of civil war retreated before the better teachings of peace and concord. Confidence was a plant of slow growth, but its growth was sure. In 1868, the same Mr. Toft (a working collier) who a few years before had described Mr. Henry Briggs as "the very devil," if only he had horns, tes-

tified that "the scheme has done a vast amount of good ; it has destroyed a vast amount of ill feeling," and he was confident that there was a better feeling between employer and employee. Mr. Toft attended a meeting of miners, in the earlier days of the experiment, at which a union lecturer denounced the Messrs. Briggs's system as a device for "cheating the men." "When he had finished," said Mr. Toft, "I got up to defend the principle, because it is dear to my life. I believe it is a good thing, and calculated to do good, and I have taken it up, not for any amount of interest or flattery or benefit I might get from the masters by advocating it, but because I believe it is destined to do a great amount of good. They would not let me continue to speak, and overpowered my voice, and I had a clod come at my head." (Mr. Roebuck : "I hope it did not hurt you.") "It did not hurt me, only my feelings were hurt." The happy transformation which the sentiments of the miners underwent may be seen even more plainly in the contrast between an anonymous letter sent to Mr. H. Briggs in the bad days before participation and an address presented to Mrs. H. C. Briggs upon the death of her husband in 1881. The first runs : "Mr. Briggs I will tell you what i think by you about this struggle. . . . you shall not Live 13 days. Depend on it my nife is sharp but my bulits is shorer than the nife. . . . and if it be at noon wen I see you, you shall have the arra if it be in your charit like old Abe [King Ahab : 1 Kings xxii. 34]. Now reade that and pray to God to forgive you your sins to be reddy." Certainly the feeling of the miners was "as bad as it could be," if this letter was any sign. The address "in loving memory of Henry Currer Briggs " testifies to the loss of "a kind friend,"

who exhibited "unwearied and assiduous care for our moral and intellectual welfare ; monuments of his love, whether as schools, reading-rooms, or other kindred institutions, being everywhere in our midst. . . . As a master, by his sterling commercial sagacity and judgment, aided by rare practical abilities, he has developed these collieries to their present extensive condition : to these were added the generous virtues of endeavoring in every possible manner to ameliorate the general condition of those by him employed, and which we here most thankfully acknowledge." This address was presented some six years and a half after Profit Sharing at Whitwood had been abandoned, under the circumstances immediately to be related ; it is hence all the more valuable as a proof of the good feeling which the experiment had brought about, and which survived it for years.

It goes without saying that, with this friendliness prevailing between the Briggsses and their men, the effectiveness of the labor was immensely increased. There were no strikes, involving grave losses, to the men of wages, to the employers of the large expense of maintaining their works in an unproductive condition, and of the profits which they would have realized under more peaceful circumstances. There were few of the minor stoppages, once so frequent, caused by disagreements as to the conditions of work. These, it is estimated, had previously caused a loss of one day in six, even when strikes were excluded from the calculation. Under participation such disagreements were harmoniously adjusted without loss of time or money. The greater economy of time, a natural result of the industrial partnership system, accounts for no small share of the increase in profits. But the



zeal and care with which the men worked under the excitement of a new and strong motive had very much to do with the success attained. The hewing of coal is paid for according to the weight got out, and the work is thus essentially piece work, in which profit sharing does not usually effect much enlargement of the product. But in collieries "the value of the coal greatly depends upon the proportion of the large coal to the broken coal and slack, and also upon the careful picking of the coal from duff or rubbish. Again, the cost of the wooden props, by which the roof is supported in a colliery, is a considerable item in the expenditure, and a careful coal-hewer can extract and save more than a careless one." The Messrs. Briggs calculated that if the men were careful they might easily save, in getting the coal unbroken, 1,500*l.* a year; in getting it clean, another 1,500*l.*; and in the handlings of props, 300*l.* Here was a possible saving of 3,300*l.* a year, which the workmen turned into an actual saving, when an adequate motive was supplied them. Taking the item of rails, again, "Men used to break a new rail," said Mr. H. C. Briggs, "to get it the right length, and then perhaps repeat the process if unsuccessful, burying the one first broken in the coal-dirt. Nothing of the kind occurred any more" under participation. It became a common expression, when getting out a difficult prop which formerly would have been left, or when picking up a nail on the ground, to say, "This is so much bonus saved." The men were also "more ready to accommodate themselves to the exigencies of the trade, working extra hours when circumstances rendered this important in the interests of the business, in a way they had never done before."



There was no thought on the part of the miners of interfering with the conduct of the establishment. "So far from the workmen interfering in our management," said Mr. Archibald Briggs, whom I have just quoted, "I find my power is really more despotic than ever."

In 1869, at the instance of Mr. Archibald Briggs, one of the workmen-shareholders was elected by his fellows as one of the five directors of the company, and thus the partnership of labor and capital was advanced still another step toward full coöperation. In 1868 the number of employees was 785 miners or bottom hands, 204 top or surface hands, and 214 boys. The weekly product was from seven thousand to eight thousand tons. The Comte de Paris asserts (*Trades Unions* 1869, p. 219) that, "from the incurable indifference which so many people show to their own interests, a tenth part of the workmen to this day neglect this simple formality" of the penny-book. I have been unable to find any confirmation of this surprising statement, which is directly opposed to the statement of Mr. Thomas Hughes in 1870, that every man and boy then was careful to take out his book (Jevons, *Methods of Social Reform*, p. 149). During the year ending the 30th of June, 1874, the number of participating workmen increased from 1,937 to 2,218. The annual report to the stockholders contained a detailed statement of the wages paid, and the bonus due each workman-shareholder.

The men were far more amenable to reason, and willing to be controlled, than under the old system. The great improvement, morally and intellectually, was evident to the new rector of Normanton. The Rev. Mr. Lane soon remarked a great superiority in the charac-

ter of the Messrs. Briggs's men over miners employed in other collieries who lived almost in the same row of houses. He found them a better and steadier set, and as a new-comer he did not understand whence the difference arose. Out of a thousand men who received a bonus at the same time, only three were known to have stayed away from work and drunk it up. These were dismissed amidst general approval. The number of children sent to school very largely increased.

Thus in every respect the experiment made by the Messrs. Briggs was a success during the years 1865-71. This whole period was one of comparative prosperity in the business world. Consequently there had been no opportunity to discover in what degree the profit sharing system would bear the strain of unfavorable years in which there would be no profits to divide. This test, which determines the amount of faith and patience in the employees, has been successfully met by other profit sharing establishments, such as Billon and Isaac of Geneva, the Peace Dale (R. I.) Manufacturing Co., and the Pillsbury Flour Mills of Minneapolis. The prime cause of the abandonment of the industrial partnership at Whitwood, on the contrary, was the unhealthy prosperity of the coal trade, beginning in 1871-72, and this was a test which was too much, not for the workmen, but for the stockholders. This fact will plainly appear from the history of the last three years of the experiment.

For the year ending June 30, 1872, the bonus on capital, in addition to the usual 10 per cent. dividend, reached the large sum of 5,250*l.*, over three times the bonus paid in either of the two preceding years, and half as much again as the largest bonus ever before attained. The men received an equal amount. But

their wages were also advanced, at their request, "in the aggregate from twenty-seven and a half to thirty per cent." The workmen insisted on an equality of wages with those paid in the surrounding collieries, although a part of what they gained in wages they lost on the bonus. To put the shareholders in a state of equal enjoyment of the extreme prosperity of the coal trade then prevailing, the company increased the rate of dividend on capital, as it had a perfect right to do, the whole arrangement being completely in their control. In granting the advance of wages, "the managers pointed out," says the Briggs *Memorandum*,<sup>1</sup> "that it is a fundamental principle of Industrial Partnership that the capitalist is as much entitled to realize a return on his capital equal to the average obtained from similar undertakings as are his workpeople to receive the average rate of wages paid for similar work, and that, as the profits of the coal trade generally had largely increased, the initial rate of interest payable on capital would for the future be augmented in the same ratio as the advance on the standard remuneration of labor. This view was concurred in by the workpeople as a fair arrangement, considering the exceptionally prosperous state of the trade. During the year ending the 30th of June, 1873, the prices of coal and the rate of wages continued to rise, until the latter had increased at least 50 per cent. on the original standard. The initial rate of interest on capital was accordingly raised from 10 per cent. to 15 per cent." With Mr. Sedley Taylor, I must regard this move as a mistake on the part of the Messrs. Briggs, which in the light of fuller experience they would not, probably, have repeated; for, as their

<sup>1</sup> Printed in Mr. Sedley Taylor's *Profit-Sharing*.

*Memorandum* well says, under the industrial partnership system, "if acted on thoroughly, great changes in the rate of wages should never take place. Both capital and labor should be satisfied with a moderate and unvarying return in the first instance, and be prepared to wait for any further remuneration until the balancing of accounts at the end of the year." In this case, indeed, the workmen first broke over this sound principle, and the Messrs. Briggs were undoubtedly forced to yield to their demands. But the plan did not originate with the miners, and they could not rightly be expected to have such a just and full understanding of the new system as even the Messrs. Briggs showed themselves unwilling or unable to carry out on their side.<sup>1</sup> If, while granting under protest, as against the equities of a completely developed industrial partnership, the advance in wages, the company had, for itself, adhered to the original dividend of 10 per cent. on capital, it would have declined but a comparatively small sum for two years only, and at the end of these two years it would have been in a position to meet the inevitable reaction, without surrendering the excellent system which had had nine years of successful operation. The calculation, made by Mr. Sedley Taylor, of the effect of the increase of dividend upon the bonus to the workmen, I shall presently advert to.

For the year ending June 30, 1873, the dividend to capital was 15 per cent., and the bonus was 10 per cent. more, 14,256*l*. But the next year showed a marked decrease in the bonus, it being 6,048*l*., only 3 per cent. on the capital. This sum, which was addi-

<sup>1</sup> Profit sharing, as generally practised thus far, has been content to adopt the current rate of wages: the Messrs. Briggs's conception is more advanced.



tional to the enlarged dividend of 15 per cent., was still eight hundred pounds more than the highest bonus paid (in 1872) when the dividend to capital was 10 per cent., and it exceeded the highest bonus paid to the employees before 1873 by the same amount. The two years taken together constituted a brief period of very extraordinary prosperity, in which wages stood 50 per cent. higher than the rate in 1865, while the total dividend to capital was, in 1872-73, 25 per cent., and in 1873-74 18 per cent.

The reaction began in the half-year ending December 31, 1874: the price of coal gradually fell, and the proprietors of collieries throughout the district issued notices of a reduction of wages.<sup>1</sup> The Briggs employees, however, would not consent to accept the lower rate, and accordingly they joined in the general strike throughout the district. The strikers refused at first the offer of arbitration made by the employers, and accepted it only after the strike had lasted four weeks. The arbitrator decreed a considerable reduction in the rate of wages. This strike, the only one which occurred while the industrial partnership at Whitwood lasted, "caused great dissatisfaction," says the Briggs *Memorandum*, "among the outside shareholders, who strongly expressed their objection to the continuance of the system of sharing their profits with workpeople who nevertheless still had recourse to the

<sup>1</sup> I do not find in the Briggs *Memorandum*, or in Mr. Taylor's *Remarks* on the same, that any proposal was made at this time to restore the enlarged dividend on capital (15 per cent.) to its previous amount (10 per cent.). If this was not in fact done, the unfairness of reducing the men's wages is apparent. The regular initial dividend had been increased 50 per cent. on the very ground that wages had risen in the same degree. When, then, wages were reduced, the dividend to capital should have been reduced in proportion.



old method of warfare between capital and labor, which it was confidently hoped industrial partnership had forever banished." At the half-yearly meeting of the shareholders in February, 1875, a vote was therefore passed that the payment of a bonus on wages should be discontinued.

So ended the famous industrial partnership at Whitwood. The abandonment of the system by the Messrs. Briggs, who had won a world-wide reputation as its champions in theory and in practice, seemed to the general public to be a confession that profit sharing, after a long trial, had proved to be a failure. The Messrs. Briggs were silent, for more than six years, as to the causes of their change of system, and it was natural that their silence should be construed as an admission that the system was fatally defective. Profit sharing thus received a set-back in England from which it took a long time to recover, and there were few firms to venture, in the light of the experiment at the Whitwood collieries, to introduce a similar system of dividing profits. But the publication of the Briggs *Memorandum* in 1884, through Mr. Sedley Taylor, at length set the matter fully before the public, and it will be seen on consideration that the system itself was not a failure. The Messrs. Briggs, certainly the persons best qualified to render a judgment, thus wrote: "Having now traced shortly the history of the experiment, and the causes of its failure as far as we can judge of them, it only remains to say that nothing that has occurred seems to show that the system inaugurated at Whitwood may not eventually be generally and successfully adopted, and lead to a more intimate union of interests and a more cordial feeling between capitalists and their workmen."

It is not necessary at this distance of time, when the principal actors in the industrial drama at Whitwood have been removed by death, to enter into the question of the praise or blame to be awarded to the masters or the men. Undoubtedly, in an undertaking of a kind so entirely new, both parties committed mistakes from which a fuller experience would have saved them. Some conditions which one would incline to judge quite essential to complete and lasting success were plainly absent. The most important of these on the side of the men was entire confidence in the firm, to begin with. The Messrs. Briggs had to encounter at the outset a formidable amount of suspicion and even positive hatred among their men; and though these feelings almost died away in a few years, yet the company could not permanently relinquish its unfortunate hope of "getting even" with the trades unions. In the last two years of the experiment several difficulties arose from this cause, resulting in such a straining of relations between the company and the men that an open rupture was almost unavoidable. As long as the company carefully abstained from all real or apparent interference with the unions, and took no part in the meetings of the employers' association, the harmony between them and their men was unbroken. It was a departure from the principle of complete industrial partnership when the men, after a period of indifference to the unions, began to join them with the purpose of forcing up the average rate of wages in the district, which the company had agreed to pay. But the employees needed education in the new system, and a demand was made on the patience of the company which it could not meet.

The essential condition lacking on the employers'

side was unanimity. The Messrs. Briggs entered heartily into the new plan, and they appear to have carried it out with complete loyalty to its principles as they understood them. But I learn from the best of authority that the outside capitalists who held the great majority of shares (some of whom, but not the larger part, were relatives of the Briggses), were not really interested in the profit sharing principle. At the time of the coal famine, when immense profits were being made, these shareholders were alarmed at the size of the sums which the workpeople were receiving. They accordingly used profits to pay up at once sums which need not have been paid except by instalments at intervals, and in other plausible outlays. There was no actual deception, but by one device or another (legitimate commercially) the very large profits were not divided as the workpeople understood (rightly or wrongly) that they ought to have been. The men of course resented this, and it was one reason for their joining in the strike, which the Messrs. Briggs say "caused great dissatisfaction among the outside shareholders." It is difficult to resist the opinion that had the Messrs. Briggs been in full and unquestioned control, the system would not have been abandoned without further attempts to modify it in accordance with the teachings of experience. But they were placed between two fires, the shareholders on one side distrusting the plan, and the employees on the other side having no confidence in these outside shareholders.

The chief practical mistake in the application of profit sharing to the coal business was made at Whit-wood when wages and dividend on capital were both advanced 50 per cent. in the highly favorable year

1872-73. If the system is "acted on thoroughly," wrote the Messrs. Briggs (as before quoted), instructed by their failure, "great changes in the rate of wages should never take place. Both capital and labor should be satisfied with a moderate and unvarying return in the first instance, and be prepared to wait for any further remuneration until the balancing of accounts at the end of the year." To the same effect, Mr. Taylor disputes the position taken up by the Messrs. Briggs in 1872 in regarding it as a fundamental principle of industrial partnership "that the initial interest payable on capital should be made to vary with the fluctuations of current wages. The practice in participating houses whose regulations are publicly accessible is, I believe, invariably — certainly in the great majority of instances — to keep this interest at one unchanging rate." Mr. Taylor goes on to calculate that, had the company adhered to its original rate of dividend (10 per cent.) in 1872-73 and 1873-74, the dividends for these two years would have been  $22\frac{1}{2}$  per cent. and 15 per cent. respectively. But the rate having been increased 50 per cent., making it 15 per cent. as a first reservation to capital, the total dividend in these two years was 25 per cent. and 18 per cent. The effect on the share of profits going to labor was to reduce the bonus from 17,820*l.* to 14,256*l.* in 1872-73, and from 11,088*l.* to 6,048*l.* in 1873-74. During these two years the workmen, indeed, were drawing very high wages, and it is impossible now to ascertain what the effect would have been had their wages, as well as the dividend to capital, remained at a fair rate agreed upon at the beginning. This, whatever its precise effect, would certainly have been the ideal arrangement. Starting from a compensation for both capital



and labor determined by the average of a number of years, the two parties to the contract should henceforth divide the profits, however large, in the proportion originally agreed upon, without raising the rate of wages or the rate of dividend, and providing for unfavorable years by the creation of a reserve fund which should obviate all necessity for reducing either wages or interest. It was a defect, again, in the Whitwood experiment, that the division of a bonus to labor was first made, and then allowed to continue, to depend upon an annual vote of the shareholders. The system in its integrity demands an agreement between employer and employee for a considerable period, not entirely subject to the variable disposition of an annual or semi-annual meeting of shareholders. The method followed by the Messrs. Briggs showed its fullest weakness when, in 1872, Mr. A. Briggs warned the men intending to join in the union demonstration at Leeds, that the shareholders might even withhold from them the bonus which they had earned in the preceding year. While it is one of the prime recommendations of the profit sharing system that employers have full control of it, in initiating it, and continuing or dropping it, the system should yet be so conducted as to allow little room for the influence of temporary disturbances of good feeling, and no room at all for purely arbitrary measures on the part of the masters.

The Briggs case deserves careful study by those who contemplate the introduction of profit sharing in their own establishments. It is fertile in warning and instruction. While one must regret the abandonment of the new system in this noted instance, we can easily see that the failure was caused by no incurable defect in the plan, but by mistakes on both sides almost in-



evitable to a first trial of the method. There is little in the case to discourage employers who are willing to learn from experience.

Before leaving this *cause célèbre*, a more careful review of some of the difficulties with the trades unions will be in order. In their *Memorandum* the Messrs. Briggs state that the company never prohibited any of their workmen from joining the Miners' Union, but hoped that in time they would see that under a system of profit sharing their true interest would lie in combination *with* the employers, not *against* them. In fact, the number of workmen belonging to the union fell, within three years from the formation of the industrial partnership, to about forty, whereas previously almost all the men had been members. Subsequently the men showed a disposition to join the union again, in order, says the *Memorandum*, to raise the average rate of wages in the district. This tendency seemed to the company likely to frustrate entirely their object in entering into the new system. But no actual collision between the company and the union occurred until August, 1872. On the 19th of that month the annual meeting of the Miners' Unions of West Yorkshire was to be held at Leeds. The collieries of the district, as a rule, were to be closed that day to allow the miners to attend. Unfortunately the annual meeting of the Briggs Company was appointed for the same day. The managers were intending to ask the shareholders at this meeting to vote the workmen a bonus on wages of 5,250*l*. The Messrs. Briggs felt that they "could not consent to the pits being stopped for union purposes . . . on the very day" when they were going to ask the shareholders to grant this large bonus to the men "on the ground that the industrial partnership system caused them to work better than those at the neighboring collieries." They therefore gave notice, but a short time before the day fixed, that their works would be running as usual, and that any workman absenting himself on the 19th in order to

attend the union meeting would be considered as forfeiting all claim to bonus for the future. The men, who had made their preparations to go to Leeds, sent a courteous request to the company, asking a reconsideration of the notice, and giving, it would seem, substantial reasons why their request for a holiday should be granted. The only answer to this letter was a second notice from the manager which was nothing less than a gage of battle. It announced that every workman attending the union meeting would probably lose his bonus *for the last year*, and continued thus: "We cannot but feel that the trade union is hostile to our industrial partnership, and that our workmen must choose between union with us and union against us." The day came, and a large number of the workmen at Whitwood went to Leeds. The shareholders did not vote to punish them retroactively by withholding the bonus they had earned for the year ending June 30th; but it was decided that their names should be dropped from the bonus books. This was done, and the names were not restored until the following Christmas. The shareholders also passed resolutions reflecting upon the unions, and calling upon the men to withdraw from them. Over this whole transaction the *Memorandum* passes very lightly. Dr. Frommer, on the contrary, has entered very fully into the details, supporting every statement by references to original documents, and his judgment is decidedly in favor of the men: he is a critic, not an advocate, of profit sharing. When the company thus took a stand against the unions, it revived only too forcibly the memory of the bitter times before 1865. The workmen, after all, owed much more to their unions than to the company's scheme, and they could scarcely hesitate which to choose when the company threatened them with the necessity of a choice. This unfortunate revival of the old controversy between the unions and the Briggses occurred in the same season when the dividend to capital was increased from 10 to 15 per cent. The coincidence was not favorable to the new system, and

only a complete change of policy toward the unions could have saved it from failure. But in the summer of 1874 new difficulties arose over the subject of "riddling." Riddles had been given up during the coal famine, and the men vehemently objected to their restoration when the price of coal fell. Mr. Archibald Briggs informed the assembled workpeople that a resolution against the use of riddles passed by the Normanton Lodge of the West Yorkshire Miners' Union "would prove the deathblow to industrial partnership," as the union thus came between the company and their workmen. The question in dispute was referred to arbitrators, who decided in favor of the men; but, trade still declining, the men after a time consented to the use of riddles when required. The inevitable result of these collisions between employer and employee was a partial return to the bad state of feeling existing before 1865, a destruction, at least, of that entire confidence of the men in the masters which is an essential condition of success in profit sharing.

Mr. H. C. Briggs founded in 1870 the North of England Industrial Coal and Iron Company at Middlesborough, Yorkshire. The Whitwood system of industrial partnership was one of its features. One half of the net profits gave a bonus in 1873, in two out of the three establishments belonging to the company. But no bonus has been divided since. Mr. Walter Morrison is now at the head of the company, entitled The Carlton Iron Company, limited.

A trial of profit sharing in England which lasted for eight years, and resulted in the abandonment of the system, was made by Messrs. Fox, Head and Co. of the Newport Iron Works, Middlesborough. From the year in which these works opened up to 1866, they stood idle, on account of strikes, about one fourth of the time. At the end of a long strike in 1866 the owners introduced, on a three years' trial, a scheme of industrial partnership much like that in vogue at Whitwood. The iron trade was then at the beginning of a great depression. Consequently there was no

bonus on wages to divide in the first two years, under the new plan. But both parties having confidence in each other and in the system, they continued to work on the same agreement for the third year, and succeeded in earning a bonus of  $2\frac{1}{2}$  per cent. (*6d.* on the pound) on wages. Encouraged by the good feeling prevailing in their works, Messrs. Fox, Head and Co. renewed the partnership for five years. In 1870 the bonus earned was 4 per cent. on the wages; in 1871,  $3\frac{1}{4}$  per cent.; in 1872,  $3\frac{1}{2}$  per cent. In 1873 no bonus was divided, and at the end of the term in 1874 the system was definitely given up, no bonus apparently having been earned in this year. The comparatively high amount allowed for interest (10 per cent.), renewals and depreciation of the works and plant (6 per cent.), and bad debts ( $1\frac{1}{2}$  per cent.), helped to account, in these unfavorable years of the iron trade, for the slight return to labor.

Messrs. Fox, Head and Co. showed every sign of satisfaction with the working of the plan up to the last few months. In September, 1874, Mr. Jeremiah Head declared that on the whole the firm had gained by the introduction of the new system, but expressed his feeling that it was adapted only to workmen comparatively advanced in intelligence, and understanding of economic conditions. Over a year later, the firm, having worked on the industrial partnership system for eight years, wrote: "At the end of that time we were reluctantly forced to the conclusion that workmen such as we could get were not, on the average, sufficiently civilized to be able to understand and appreciate the improved system which we had attempted to establish." They asserted that the coöperation had been confined to their own side, and that the workmen regarded only their own nearest needs. It was accordingly necessary to wait for a wider diffusion of moral and intellectual education among the working classes, before one could hope to influence them by an appeal to their foresight, sound reason, and honor. Coöperative production and industrial partnership, they feared, had been prematurely introduced.



These utterances of Fox, Head and Co. are rather vague, and give no indication of the precise causes of their disappointment. If, from the evidence before us, we attempt, however, to ascertain somewhat more definitely the exact reason why the firm was not satisfied with the standard of intelligence among its men, we infer at once, with Dr. Frommer, that Fox, Head and Co. did not succeed in detaching their workmen from the trades unions to the extent which they had hoped. The rules governing the five years' experiment stipulated that "no *employés* are to belong to trades unions," and that "the employers, similarly, are not to belong to any association of employers." The plain intention of the firm seemed to be to break down the influence of the trades unions through the introduction of profit sharing. In this endeavor they went further than the Briggs firm. They deserve no blame for the attempt, as a purely legitimate business enterprise, if making no pretence of being animated by philanthropic motives. But, on the other hand, the workmen must have found, in the eight years' experiment, that Fox, Head and Co. were asking much more than they gave. The firm secured for itself entire immunity from strikes: it decided at its own discretion all questions concerning wages and prices; it made sure of large returns before allowing any bonus to labor; and its own withdrawal from the employers' association was but a slight concession, inasmuch as the "sliding-scale" regulated wages in the district, and during any trade dispute the old rate was to be retained. The workman, to meet the firm, had to cut himself off from the unions, which originally secured the adoption of the sliding scale, and which constantly watched the employers' associations to prevent abuses arising under it. He bound himself to the firm, but the firm came under no obligation to keep him in employment. The bonus which he secured as the result of thus isolating himself from the great body of his fellow-workmen was small. Altogether, the arrangement was one-sided. The workmen, by joining cause with the unions, as they probably



did at last, showed no such deficiency in "foresight, sound reason, and honor" as the firm imputed to them. On the contrary, they proved themselves fully capable of choosing, of two courses, that which in the end would be the more advantageous to themselves and to their fellow-workmen.

In several respects the rules of Fox, Head and Co. were an advance upon those observed at Whitwood. They determined the length of a contract binding upon both parties, and did not leave the division of a bonus for the past year to the mercy of an annual meeting. Considering the state of the trade, however, the percentages to be reserved before a bonus could be declared were high, especially as the firm further guaranteed itself against loss by charging a deficiency in these percentages in any year to the profit and loss account of the following year. The regulations directed against trades unions were bad in principle and worse in practice. The unions were strongly intrenched in the just affections of the workmen, and it was very impolitic to seek to isolate a body of employees from their kind, under a new system which had not stood out its trial, and which, in this instance, by no means repaid them for the sacrifice they were obliged to make. The one advisable policy for profit sharing firms to adopt toward the unions then, as now, was entire neutrality. The men should have been allowed to join them, or not, according to their individual disposition. Before profit sharing, coming into *general* adoption, the trades unions would gradually lose, it is probable, their most objectionable features; and in time they might come to lag superfluous on the industrial stage, since the new system would secure the workman far greater benefits than they could offer. But the change should be natural and progressive. Employers should carefully refrain from taking up a hostile position. They should not expect the employee to enter at once into his full logical relations to the employer under a new and unfamiliar system, forsaking abruptly the associations which have done so much to improve his condition.

The two firms of H. Briggs, Son and Co., and Fox, Head and Co. were peculiarly disqualified to act as pioneers in the profit sharing movement by their unfortunate experience in strikes, long and many. The trades unions were the one industrial force which they should have been extremely careful not to antagonize. Plainly, this good advice must often be hard to follow, especially where practical civil war has long been waged between the masters and the unions, as in the Briggs case. But the transition from a pure wages system and its accompaniment, trades unions, to industrial partnerships, demands more than common patience and kindness in those who lead the way; and the only wise course is to supersede the unions in the affections of the workingmen by long and repeated proofs of the superiority of profit sharing as a system over the existing order, or rather disorder.

The attitude of the leaders of the English unions toward the new system is not in fact hostile, but, when not favorable, is at the worst only expectant. Looking sincerely, as most of them undoubtedly do, to the welfare of the laboring man as their one aim, they realize that there may be surer means of attaining this welfare than trades unions, and are willing to give profit sharing a fair trial, so far as they are concerned. But no one can rationally expect them to advise the immediate surrender of the unions before a well-approved substitute has been found. In evidence of the good feeling among the unions toward participation in profits, I will simply quote three opinions of leaders in the movement. Mr. Burt, M. P. for Morpeth, wrote to Mr. Sedley Taylor in 1880: "I am glad you are carrying on your efforts in favor of copartnership, or, as you well express it, participation by the laborer in the profits. I quite agree with your views, and wish you every success." Mr. George Howell said, the same year, in a discussion on profit sharing, that "he could not conceive for one moment that there was any objection to the scheme being tried anywhere, or that any

well organized trade union would raise any objection to it." Mr. Lloyd wished "to correct a statement which had been made that the trades unionists of the country were averse to proposals for the participation of labor in profits. . . . He knew all the leaders in every branch of industry where trade unionism existed, and he did not know of a single case of hostility to such a scheme." I regard these judgments as entirely harmonious with the declaration of George Jacob Holyoake, that the rules of Fox, Head and Co., in regard to the unions, evinced "the insolence of mastership, the abuse of industrial partnership." Employers in England and America must have learned by this time the folly of opposition to the natural combination of workingmen among themselves.

## II. THE COÖPERATIVE PRODUCTIVE SOCIETIES.

We have given considerable room to the noted industrial partnerships at the Whitwood collieries and the Newport Iron Works. These were abandoned fourteen years ago, and serve now but to point a moral. We pass to the establishments in England now working on the coöperative principle, in which some feature of profit sharing is to be found.

In the societies or companies for "coöperative production" (so called), it is a surprising fact that only a minority divide a bonus on profits among the wage workers. The wages system, pure and simple, prevails in the majority of these business associations, which are, in reality, joint-stock companies, differing from other companies only in this respect, that the stock is held in small amounts by a large number of persons, chiefly workingmen. A dividend is declared to purchasers by many of these societies, but such a dividend has no logical connection with proper coöperative production, and is in truth an inheritance from the

system, strangely misnamed, of "coöperative distribution."

The justly famous and widely beneficent "coöperative stores" of Great Britain are simply unions of consumers: they have, as a whole, no features which entitle the owners and the employees to be called "co-workers." The principle on which they proceed is the easily apprehensible advantage of buying at wholesale rates. Goods are purchased in large quantities and sold in a few great stores. The expenses for rent and labor are reduced to a minimum, many superfluous middlemen being dispensed with. For convenience' sake the goods are sold to the consumer at the prevailing retail rates; but the excess of receipts over the first cost, and the moderate expenses of management and sale, is returned to the consumer as a percentage on his purchases. These stores are established upon the joint-stock principle: the capital invested in them receives the usual interest, and the consumer, in the end, pays exactly what the article bought can be sold for without loss and without profit. The capitalist draws his interest, as in any other business. The purchaser obtains his groceries, provisions, and clothing at low rates. Both profit by the enterprise. The only party to the business that does not profit, strangely enough, is the party that does the work, and uses the capital to bring goods to the consumer. For no provision is made in the coöperative distributing stores for any distribution of profits among the managers and the workers. They receive the usual compensation for superintendence and clerical and manual labor, and they buy their supplies of the store which employs them. But in no way are they better off than they would be if working for an ordinary business firm.



So strong has been the influence of the tradition, derived from the "coöperative stores," that the purchaser, not the worker, is the person to be regarded in distributing profits, that it has passed over into the English establishments for so-called "coöperative production." In the "Age of Steel" for January 15, 1887, Mr. J. C. Gray, the assistant secretary of the Central Coöperative Board, has reproduced, from the board returns for the year 1885, a list of the productive societies, with remarks upon the method of disposing of profits practised by each.<sup>1</sup> It appears from this paper that these methods are extremely various. In the most important group of industries carried on by co-operators, the corn (flour) mills, the profits go entirely to the purchaser in proportion to the amount of his purchase.<sup>2</sup> The productive works carried on by the English Wholesale Society at Leicester and Heckmondwike (boots and shoes), at Crumpsall (biscuits), and at Durham (soap), are supported by the capital invested by the distributive societies in the "Wholesale." These four establishments employ the capital thus derived to engage laborers in the common market, to whom they pay the highest current rate of wages. The workshops and factories are healthful and pleasant. But the workers cannot hold shares in the concern, and they have no interest in its prosperity beyond their wages. The profits go into the common

<sup>1</sup> Mr. Gray's statements have been revised to agree with the table of returns relating to productive societies for 1886, in the *Report of the Nineteenth Coöperative Congress*, held at Carlisle in 1887. The returns for 1887 did not give the method of division of profits practised by any society.

<sup>2</sup> The one exception is the Sheerness Economical, which unites the business of corn-milling with that of baking. In 1886 it divided 27*l.* among the workmen, a dividend of threepence on the pound of wages. The bonus to purchasers was 1,655*l.*



fund of the "Wholesale," to be divided among its customers throughout the United Kingdom. The Scottish Wholesale Society gives a dividend to labor amounting in 1887 to 24.75 per cent. in its boot and shoe establishment at Glasgow. The English Wholesale Society has tried the system, says Mr. Gray, in some of its productive works, but gave it up some years ago.

Beside the eleven corn-mills, and the five other establishments just mentioned, carried on by the wholesale societies, the returns for 1886 name forty-three productive societies in England and seven in Scotland. Twenty-one of these societies practise some form of profit sharing. Passing over the details of their history and constitution which would be in place in a work on coöperation, I will give here the particulars relevant to the distribution of profits among the workmen. The profit sharing method does not stand alone in these societies. They associate with it the ownership by the workmen, in whole or in part, of the capital employed, and some allow a dividend on profits to purchasers. The ownership of the necessary capital, if not of the whole, at least of a large part, by the workmen, is a desirable mark of profit-sharing establishments, and a large number of the most successful firms practising participation have emphasized this feature. They have been anxious to make the workman a shareholder in the capital, as well as a partner in the profits to wages, thus bringing every possible incentive to work upon his mind in the promotion of a feeling of solidarity with the manager and the capitalist. But the dividend to the purchaser is an alien feature derived from the distributive stores, and has no logical connection with the participation principle.

It may be justifiable as a device for attracting and retaining customers, as in the *Papeterie Coöpérative* at Angoulême. But its general adoption is not to be recommended, since it unnecessarily complicates the situation. The consumer can take sufficient care of himself, further along in the process of exchange.

Two small societies of nail-makers at Dudley, and one of lock and hardware makers at Walsall, are associations of workmen employing themselves. They pay a fixed dividend to capital, and the remaining profits, after wages are paid, are divided equally. The boot and shoe establishments as a rule pay 5 per cent. to capital, and divide the bonus among the workers in proportion to their earnings: it has sometimes equaled 25 per cent. of the wages. The Eccles Manufacturing Society is the oldest productive society on the list, having been established in 1861 for the manufacture of cotton quilts, etc. In 1886 it had 299 members. Capital receives 5 per cent. interest; all over this amount is divided between the shareholders and the workers. The society makes up its accounts semi-annually, and in twenty-five years' existence it paid dividends on wages sixteen times. The rate of the dividend has varied from 3*d.* to 2*s.* per pound. The Paisley Co-operative Manufacturing Society (established in 1863) manufactures shawls and woolen shirtings. Of its 305 members in 1885, 185 were workpeople. Profits go to shareholders, workmen, and customers. In 1886 the shareholder received  $9\frac{3}{4}$  per cent., the workman  $11\frac{1}{2}$  *d.* per pound on his wages, and the customer the same dividend on his purchases.

The Co-operative Printing Society at Manchester (1869), with branches at Newcastle and London, is

one of the most successful of English productive companies. In 1886 its gross receipts were 42,684*l.*, and the profits 2,852*l.* Out of this sum, capital drew 10 per cent. on its investment, while labor received 369*l.*, and customers (mostly coöperative societies and trades unions) 385*l.* The Edinburgh Co-operative Printing Company started in 1873, but began to share profits with the workmen only recently. The scheme adopted allows not more than 10 per cent. interest upon capital. The employees receive one half of the remaining sum. Each workman's bonus is credited to his account in a separate fund called the Provident Fund, and bears interest at 4 per cent. so long as he remains in the employment of the company. It is thus simply a loan to the company, and no accumulation will give the workman any voice or part in the management of the business. The plan thus resembles the "deferred participation" of the Parisian *Compagnie d'Assurances Générales*. The bonus for 1886 amounted to one shilling on the pound of wages. The United Baking Society, Glasgow, also divides a bonus among employees.

The Hebden Bridge Fustian Manufacturing Co-operative Society has had an interesting history, its gradual and natural development affording the surest ground for permanent success. I am obliged to confine myself here to its present condition as respects participation. Beginning in 1870 "with no regular workers, but simply employing its members in their leisure time at home, this society now has two hundred workpeople in its employ, all shareholders to a greater or less extent." The profits in 1886 were 2,757*l.*: out of this sum capital received  $7\frac{1}{2}$  per cent. interest (a new issue of shares, however, being entitled

to but 5 per cent.). The wages earned by the workpeople and the amount paid by purchasers constitute the principal on which the remainder of the profits is reckoned as a percentage, this amounting in 1886 to 9*d.* on the pound. The society credits the amount due to each workman as share capital until he has at least 20*l.* paid up. Out of thirty half-years, twenty-four have seen dividends to the wage-earners. The rate of interest is high, but the policy of enlisting the workmen as shareholders has had its usual good effect in encouraging care, economy, and industry among all the employees, who feel themselves to be partners in the business.

The Airedale Co-operative Worsted Manufacturing Society, at Bradford (1872), makes all kinds of fancy woolen dress goods. It allows to capital  $7\frac{1}{2}$  per cent. interest: in addition to this, at the second half-yearly division of profits in 1885, 8*d.* per pound was allotted to it, thus making the dividend to capital almost 11 per cent. The same dividend went to the employee and the purchaser, calculated on wages and purchases. The Leek Co-operative Silk Twist Manufacturing Society (1874) in 1886 divided 10 per cent. on capital, and one shilling on the pound on wages.

The Coventry Watch Manufacturing Society (1877) in 1886 gave to capital 97*l.*, which was at the rate of  $7\frac{1}{2}$  per cent., and divided 154*l.* between workpeople and customers (1*s.* on the pound). The Bookbinders' Co-operative Society, of London, was registered in September, 1885. The rules stipulate for first charges on profits as follows: 10 per cent. for depreciation on the fixed stock and machinery,  $2\frac{1}{2}$  per cent. on building account, and 5 per cent. interest

on share capital. Of the remainder, the reserve fund claims not less than 5 per cent.; the educational and social fund, 5 per cent. Retail customers take one third of the balance, and the other two thirds go to the workers in the form of shares in the society. New shares are always open to the workmen, who, it is hoped, will eventually be the chief shareholders. The Co-operative Cigarette Makers, Houndsditch, London, give 10 per cent. of profits to the workers.

The Burnley Self-Help Cotton Manufacturing Society, established in 1886, has 5,200*l.* capital in 5*l.* shares. After allowing 7½ per cent. for depreciation of machinery, interest on capital at 5 per cent. is to be a first charge on profits: not over three fifths of the balance swells the reserve fund; all that remains is to go to the workmen in proportion to wages. As at Hebden Bridge, the bonus to wages will be credited to each employee in shares in the society until it amounts to 20*l.* at least. If the profits should not suffice to meet interest charges, the deficit must be made good from wages. The first half-year showed a balance of 692*l.*, out of which the whole of the formation expenses (60*l.*) were written off. A dividend of 5 per cent. to labor absorbed 167*l.* 17*s.* The balance, over 463*l.*, went to the reserve fund. This conservative policy also prevailed at the second half-yearly meeting in September, 1887. The total profit was 623*l.* 14*s.*: after making allowance for depreciation and interest, the net profit was 309*l.* 16*s.* This gave a dividend of 2½ per cent. on wages, 90*l.*, and a balance for the reserve fund of 218*l.* 15*s.* The society has started 58 more looms; it has 166 workers, all of whom are shareholders, with the exception of a few minors. In September, 1887, there were 776 shares



held by 306 members, an increase in six months of 149 shares.<sup>1</sup>

### III. RECENT PROFIT SHARING.

Returning to establishments conducted on the usual basis, we find that Messrs. H. D. Young and Sons, leather merchants, Edinburgh, Scotland, practise profit sharing on a modest scale. Among their 14 employees they divide annually a small percentage on profits (assigned by the firm), which in 1886 amounted to 28*l.* 6*s.* 8*d.*; and in 1887 to 22*l.* 6*s.* 8*d.* The shares, which are essentially New Year's gifts on a fixed basis, varied in size from 3*s.* 4*d.* to 5*l.* 13*s.* 4*d.* The Messrs. Young have a superior class of men, whom they treat well. "The utmost cordiality prevails on both sides," they write, "which is doubtless assisted by our profit sharing experiment." The Messrs. Harpers, limited, a large firm of iron-workers in Aberdeen, established profit sharing in 1888, but no particulars are at hand.

Tangyes Limited, engineers, employ at the Cornwall Works, Birmingham, some 1,500 workmen. The institutions supported by the company for the benefit of its employees are many and varied in character. A Mess Room provides dinner for the men at low rates, while the sixty clerks dine in another room free of charge; a Sick Visitor devotes his whole time to visit-

<sup>1</sup> In connection with profit sharing in the English coöperative societies, I may mention that nearly all the Peoples' Banks in Italy provide that the employees shall receive a part of the dividends earned: this share commonly amounts to from 2½ to 10 per cent. of the net profit. In Milan, from 1866 to September, 1879, the considerable sum of 330,750 *liras* was thus distributed, partly in cash, partly in provident funds. A number of the French societies for coöperative distribution give a bonus to employees.

ing the ill, and distributing aid to widows and orphans. Medicines and the attendance of a physician are secured by the payment of 4 shillings a year for each person, the maximum charge for a family being 18 shillings. There is a "Foremen's Trust Fund," "a Provident Sick Society," and an Accident Fund. Science classes, lectures, a library, and a Sunday-school are other features. In 1883 the firm, which had had no disputes or dissensions with its men for twenty-five years, put into effect as an experiment a scheme for securing to some of the older workpeople and other employees "the advantages of partnership without the corresponding liabilities." This plan, which avoids difficulties previously considered formidable, consists in granting to each person esteemed deserving of it by the company a certificate of indebtedness or bond for 50%. It sets forth that the bearer is entitled to interest upon it at the same rate as the dividend declared by the company on ordinary shares; and in case the bearer dies before the end of the year for which the bond is good, his family is entitled to its value. This bond, issued in consideration of length of service, punctuality, and general good conduct, is inalienable, but imposes no responsibilities upon the holder. It is renewed, on continued good behavior, from year to year: in December, 1887, the firm had not yet seen itself obliged to refuse renewal in a single case. More than one share is sometimes allotted to an individual.<sup>1</sup>

<sup>1</sup> The firm of Ph. Roux and Co. are the Paris representatives of the Tangeys. They have about 20 employees, with whom they have divided profits since 1885 on this basis: If the net sales realize at least 7 per cent. profit, 1 per cent. goes to the men; if they fall below this figure, the employees receive one seventh of the dividend. The participant must serve three years to claim a full share: one

Messrs. Waterman and Co., boot and shoe manufacturers, Bristol, issued a circular January 1, 1887, announcing an experimental period of profit sharing in their establishment. After interest, rent, taxes, wages, salaries, and other operating expenses are paid, 10 per cent. of the net profits will go to a reserve fund, and the remainder will be divided equally between labor and capital. Six months' service are required: a part of the bonus is to be paid in cash, and the remainder reserved for beneficiary purposes, after the example of the *Maison Leclaire*. The year 1887 was a very trying one in this line of business, according to the firm; but they "have no fear as to the ultimate issue" of their undertaking.

The Decorators' Co-operative Association, No. 405, Oxford St., London, was established in 1883, on the model of the *Maison Leclaire*, through the exertions of Miss Mary H. Hart, an earnest advocate of profit sharing. Mr. Albert Grey, M. P. (the heir of Earl Grey), is the president and Miss Hart the secretary of the association, which has a capital of 10,000*l.* in 1*l.* shares. It employs from 60 to 70 men in the same lines of work as those pursued by the *Maison Leclaire*. The rate of interest assigned to capital is 5 per cent., and the profits are to be divided, 25 per cent. to management, 25 to a mutual aid society, 20 to a reserve fund, and 30 as a bonus on wages. The association has already made a reputation for good work; in the years 1883-86 it did some 30,000*l.* worth of business, and in 1887 9,700*l.* The profits of this last year, 500*l.*, served to pay two years' interest on capital, the association not yet having arrived at the payment of a bonus.

In April, 1888, the firm of F. Curtis and Co., builders, London, notified its workmen that one third of the net profits would be divided among them, on the basis of earn-year's service gives him a third of a share, and two years twice as much. One third of the bonus is paid in cash, one third goes toward forming a retiring pension, and the other third is credited on the books of the house at 6 per cent. interest.

ings, at the end of the year. The participant must have worked 400 hours after the 1st of March ; he could claim his share if he left after doing this amount of labor. A joint committee was to decide upon the best form of distribution of the bonus. The firm, consisting of the former foreman and the architect, was organized to complete a handsome Parish Hall in the south of London which the contractor was unable to finish ; it now employs 150 men, has a year's work in advance assured, and intends to take further steps in the direction of coöperation.

Thomas Bushill and Sons, manufacturing stationers, of Coventry, England, have in their employ 130 persons. Nearly all of these belong to a Sick Club, which affords substantial relief during sickness for a nominal fee. The firm introduced a bonus and provident fund scheme in October, 1888. A certain definite sum, made known to a chartered accountant, and called the Reserved Limit, is first to be deducted from the profits of the year ; the remainder will be divided equally between the firm and the employees. The participant must have served one year and be a member of the Sick Club. One half of the bonus is paid in cash : the other half is placed in a provident fund at 4 per cent. interest. The rules of the scheme are very well devised.

The great printing and publishing house of Cassell and Co., London, with a capital of 500,000*l.* in 10*l.* shares, and employing about 1,000 hands, began in 1878 to set aside a fixed proportion of its profits to form a benefit fund for its employees. This fund provided for certain payments in case of the incapacity or decease of an employee. Up to 1883 the fund paid out in these ways 605*l.*, and had on hand, on the 30th of April, 2,256*l.* 18*s.* In this year the firm was changed into a joint-stock company, and the articles of association provided that, after making allowance for a reserve fund and for 5 per cent. interest on capital, 5 per cent.

of the remaining profits should go to the provident fund, and for certain other charitable purposes. The net portion of the fund was estimated at 675*l.* per annum; 784 employees were qualified in 1883, by a year or more of service, to enjoy its benefits. Employees receiving between 300*l.* and 400*l.* had but half a share, and those drawing a salary of more than 400*l.* were not included in the scheme. The shares are capitalized and made payable to the employee, if incapacitated after five years' service, or to his family on his death. In 1886 some 300 employees held 5,266 shares of stock, worth 47,000*l.* The Belle Sauvage Share Investment Company is an organization, to membership in which all the employees of the house are eligible, for the purpose of acquiring shares; in 1886 it had taken up, and fully paid for, 1,018 shares, included in the above figures. By means of a payment of a shilling a week, the members have thus become the owners of over a thousand shares. In various other modes the way is made easy for the employee to become a shareholder.<sup>1</sup>

Blundell, Spence and Co., of Hull and London, manufacturers, on a large scale, of paints, oils, and varnishes, introduced a system of "gratuities" for the benefit of their employees November 1, 1884. One fourth part of the net profits, after allotting the average dividend, was to go to a Gratuity Fund: of this, one fifth fell to the office staff, and the remainder to the employees in the works and the warehouses. The participants must be twenty-two years old, have served

<sup>1</sup> The firm of W. H. Smith and Co., the rival of "Mudies," which also does a large railway "book-stall" business, has given its employees an interest in sales for a number of years; but its methods are not made public.



in the house two years, and not have been absent during that period more than fifty working days without the written sanction of a managing director. They were to be divided by the directors into four classes, the members of which were to receive 1, 2, 3, or 4 gratuities each respectively. For the first year 960*l.* were divided among 330 participants; the next two years there was no bonus, and in 1888 the firm reduced the initial dividend to capital, to give the men a better chance. "We consider the scheme has been an advantageous one for all interested. It has created a good feeling between employer and employed, and enabled us to secure and retain workmen steady, reliable, punctual, and trustworthy, and with a high moral tone."

The smallness of the number of private firms in England now conducted on the profit sharing plan will be remarked by readers of this chapter. That, even of the societies for "coöperative production," only a minority allow the workmen a share in the profits, is another noteworthy fact. These two phenomena, which differ so widely from those to be observed in France, find their explanation in the earlier history of English profit sharing. The failure of the Briggs industrial partnership is undoubtedly the chief cause why so few firms have ventured to try participation. The English mind is fond of fact and averse to theory. One or two instances, in which a theory fails to justify itself completely, weigh with the ordinary Englishman more than the most thorough consistency of the theory with itself, and the most apparent reasonableness of the principle. It was accordingly to little purpose that the Messrs. Briggs declared that nothing had occurred at Whitwood to shake their faith in the

plan, or to show that it might not eventually be generally and successfully adopted. There was no uncertainty about the fact that the Messrs. Briggs tried the system for nine years, and then gave it up. However they might explain the abandonment themselves, or however an outsider might perceive the plainly avoidable causes, the British public took for its own guidance the simple fact, and troubled itself very little about the reasons. Hence the brevity of the record of industrial partnerships since 1875. Among the coöperators who have made distribution a shining success, the influence of the Briggs failure has been felt in discouraging their anticipations of any forward movement originating with employers, and in making them hold even more tenaciously than before to regarding the interests of the consumer rather than those of the producer.

A turn in the tide has, however, taken place. The success of the coöperative societies for production, which divide a share of the profits among the workmen, greatly strengthened the hands of the party among coöperators which desired the wholesale societies to embark in genuine coöperation. After several years of active agitation, they procured the passage, at the Coöperative Congress held at Dewsbury in May, 1888, of resolutions recommending profit sharing in all productive enterprises carried on by coöperators, and inviting the wholesale and distributive societies to adopt the principle in their productive works. If profit sharing has proved a success under coöperation, it seems likely to approve itself under the conditions of private ownership. We may expect, then, to see a renewal of experiments in industrial partnership by common business firms. With an account of one

enterprise which goes farther toward pure coöperation than the Briggs case, and which the Marquis of Ripon has declared to be "the most promising undertaking of the kind which we have ever had before us in the kingdom," this chapter will close. It is the industrial and provident productive society at Huddersfield, in Yorkshire, registered on the 14th of October, 1886, under the name of Wm. Thomson and Sons, Limited.

Wm. Thomson and Sons were an old and well established concern doing an extensive business as manufacturers of woolen cloth and worsted goods. Its reputation for making woollens of the first quality was high, and it carried on production successfully for many years. Mr. George Thomson, the head of the firm, offered in 1886 to make over his business to a committee of coöperators in order to form a genuine coöperative enterprise. The committee accepted his proposal, and the firm has since been transformed into a true industrial partnership. The valuers gave as the valuation of the machinery, stock in trade, book-debts, material, etc., in and upon the premises then occupied by the Thomson firm at Woodhouse Mills, and at the warehouse in Huddersfield, the sum of 19,713*l.* 15*s.* 7*d.* They testified to the goodness of the machinery, and the excellent character of the factory arrangements in general. The mill premises were held at a very reasonable rent. For the goodwill of the establishment Mr. Thomson made no charge. Since the valuation was made, most of the twenty thousand pounds (in round numbers) has been turned into cash in the ordinary course of trade. This leaves only the machinery to be taken into consideration; its value was under five thousand pounds. The whole sum paid by the society for the business, so far as it was

not taken up in shares, is in the form of loan stock held by Mr. Thomson. The number of shares, at 1*l*. each, issued up to August 20, 1887, the date of the first half-yearly meeting, was 3,420. Of this number, co-operative societies held 1,350 shares, the interested public 1,340, outside workers 326, and workers in the Woodhouse Mills 404.

The rules of the company provide that the dividend on capital, loan or share, shall be 5 per cent. "In case the state of the business does not permit this amount to be paid, the deficit shall be a first charge on the subsequent profits, but without interest." The loan capital, advanced by Mr. Thomson, cannot be demanded unless the society should fail to pay interest for two consecutive years. Not less than 10 per cent. of the profits must be carried to the reserve fund, until this amounts to 10 per cent. of the capital. The remaining profits, after these two deductions, are to be divided on this basis: five ninths shall go to the credit of the laborers who have been employed by the society not less than six calendar months in the period to which the division relates; and the remaining four ninths "shall be applied as the committee may authorize, on the proposal of the manager, for the reward of special services to the society, or for promoting the progress of the business by allowances to customers or otherwise." The share of profits going to the workman is placed to his account as share capital, it being in proportion to the wages he receives.

The business is in the hands of a committee, consisting of three representatives of the District Coöperative Association, two members of the Huddersfield Trades' Council, and three workmen in the mill: three members of this committee retire at each annual meet-



ing. The founder of the industrial partnership, Mr. Thomson, is general manager for life, subject to removal by five sixths of all the members of the association, and five sixths of all the votes capable of being given at a special meeting. "The founder, during the continuance of his appointment, shall control all business carried on by the society, and engage, remove, or discharge all assistant managers, salesmen, or *employés* of every description required to conduct such business, and fix their duties, salaries, or other remuneration at such rates as he may determine." The founder cannot be suspended, but "in the event of his death while he continues manager, or his resignation," he may by his will, or any instrument under his hand, appoint such person as he may select to succeed him as general manager, subject to confirmation by a special meeting. After the founder's death or resignation there shall be elected a manager by a majority of votes of all the members of the society. At the annual meeting in each year, there shall also be elected, on the recommendation of the committee and by a majority of votes, a manager-elect, who shall undertake the duties of general manager in case of a vacancy: he shall be reëligible. The remuneration of the general manager has been determined in the case of the founder by an agreement which was a part of the conditions of the purchase of the business; in the case of his successor, it is to be agreed upon between him and the committee at the time of the appointment. Finally, the regulations concerning the founder, the choice of the general manager and manager-elect, and the division of profits, are declared to be fundamental, and shall not be rescinded or altered except by a five-sixths vote.



“All who have any acquaintance with the subject will see at once,” says Judge Thomas Hughes, “that by this arrangement all the rocks upon which such enterprises have hitherto foundered have been avoided in this case.” The trades unions and the coöperative associations are represented on the committee, and are interested in the enterprise. The workmen have a voice in the management, but the rules wisely confer, first upon the founder as manager, and then upon his successors in that office, the powers and privileges which are deemed indispensable in the conduct of private business. The manager retains full control of the *personnel* of the establishment, having complete authority as to engaging, paying, and discharging any employee.

The founder of this new partnership brings to it not only enlightened ideas and a generous willingness to do his full share in the undertaking, but also that reputation for ability in conducting a complicated industry which is the best presage of success. Students of labor questions have no more interesting subject for observation for the next few years than the Huddersfield industrial partnership.<sup>1</sup>

<sup>1</sup> The statement of accounts for the sixteen months ending December 31, 1887, makes a satisfactory showing. Since the formation of the society, a business of 29,601*l.* has been done. This sum provides interest at 5 per cent. upon loan stock, and leaves a balance of 247*l.* 5*s.* 1*d.*, from which the committee proposed to pay a dividend of 5 per cent. on shares, leaving 95*l.* 10*s.* 5*d.* to be disposed of by the shareholders at their meeting.

Three other cases of profit sharing in England are: Hazell, Watson and Viney, printers, binders, and electrotypers, London, with 300 employees; J. W. Arrowsmith, printer and publisher, Bristol; and W. P. Hartley, of the great marmalade works near Liverpool, who has 700 employees.

## CHAPTER VII.

### AMERICAN EXPERIENCE IN PROFIT SHARING.

As Turgot in France anticipated Leclaire, so in the United States Albert Gallatin, for twelve years Secretary of the Treasury under Jefferson and Madison, stood sponsor for profit sharing. He actually introduced the system in the glass-works which he established at New Geneva, Pennsylvania, in 1794; but I am unable to give any further information concerning his experiment.<sup>1</sup> Horace Greeley devoted many columns in the "New York Tribune" to arguments in favor of the industrial partnership principle, and he associated with himself in the ownership of the paper a considerable number of the editorial contributors and heads of departments.<sup>2</sup> Up to the time of his death, Mr. Greeley had not seen his way clear to include all the employees in his scheme. One of the oldest woolen mills in the United States presents the instance of regular profit sharing which antedates all other American systems now in operation.

The Peace Dale Manufacturing Company of Peace Dale, R. I., established participation in 1878.<sup>3</sup>

<sup>1</sup> See Professor R. E. Thompson's *Political Economy*, 1882, p. 138: he does not recall his authority for the statement.

<sup>2</sup> See James Parton's *Life of Horace Greeley*, p. 325.

<sup>3</sup> The Seventeenth Annual Report of the Massachusetts Bureau of Statistics of Labor, by Carroll D. Wright, chief of the bureau, with the assistance of Mr. F. H. Giddings, gives a full account of the Peace Dale profit sharing. \* Dr. E. W. Bemis, in the *History of Co-operation*

Rowland Hazard, the founder of the mills in 1804, was the first American manufacturer to use the power-loom : his descendants of the third and fourth generations continue the business of manufacturing shawls, worsted coatings, cassimeres, and other woolen fabrics, to the value of some \$600,000 a year. The capital is about \$400,000, and the number of employees averages 450. Of those foreign-born, two thirds of the whole number, the majority are Irish, others being English, Swedes, and Germans. One third are of American birth. Two fifths of the whole body of workers are women. "The company and its employees have enjoyed relations of almost unbroken harmony. Twenty-five years ago a strike was threatened on account of a reduction of wages, but the trouble quickly ended in acceptance of the company's conditions. There has been no general change of wages since 1878. Wages have been as nearly as possible the average rate paid for like work elsewhere, but with fewer fluctuations. They have been a little lower under a boom, and a little higher in times of depression, than in most other mills." The company was the first in Rhode Island to reduce the hours of labor to ten a day. It assists employees in acquiring houses of their own, and aids those who have retired after long service, though without making any formal regulations on this subject. One of the family early established a free library.

On January 1, 1878, the present Mr. Rowland Hazard, the originator of the plan, issued a circular. It explained very clearly the theory and the conditions of successful profit sharing, and called upon the work-

*in the United States*, gives further particulars, gathered from correspondence with the assistant treasurer of the company, who has also favored me with letters quoted further on.

people to second the proprietors in making a success of the scheme which it announced and described. The percentage to be divided as a bonus, to all employees who could show seven months' service out of the twelve previous to the first day of February in each year, was to be fixed by the firm each year, according to the results of business, and to be allotted on the basis of earnings. If there were not enough profit to assure a bonus of one per cent. on wages, no dividend was to be paid. Interest, depreciation, reserve, and a dividend to capital should be allowed before granting a bonus to labor.<sup>1</sup> The rate of interest allowed was moderate, and — a curious exception in profit sharing enterprises — no salaries were to be deducted from profits for the owners, who are also the managers. They were satisfied with the dividend and interest on capital. About one half of the net profits were to be the portion of labor.

The first year, 1878-79, brought no bonus ; but the company in its circular, while expressing regret, urged upon the employees greater care and economy, that a different result might be announced the next year. In 1879-80 a 5 per cent. bonus on wages was realized, amounting to \$5,842.40 ; in 1880-81 the same percentage gave a dividend to labor of \$5,999.65 ; in 1881-82 the bonus of \$3,760.14 was equivalent to 3 per cent. on earnings ; in 1882-83 the bonus of \$3,760.35 gave the same percentage. The condition of the woolen business has been such since 1883 that the company has not been in a condition to declare a bonus of 1 per cent. in any year, and consequently,

<sup>1</sup> The initial circular of the company deserves the attention of employers introducing profit sharing : the record of this scheme, indeed, is more ample than that of any other American instance.

in accordance with the regulations, none has been announced. The system is yet valid, however. "We still firmly believe in our plan," writes the assistant treasurer, Mr. R. G. Hazard 2d, under date of January 27, 1888, "and only await the time when we can continue it," *i. e.* by declaring another bonus.

The firm are the best judges of the financial results of their plan, and they express entire satisfaction on this point. The only labor difficulty which has arisen in the Peace Dale Mills since profit sharing came in was a comparatively slight disturbance caused by a change in the system of fines for mispicks in the weave room. "The finable faults were made more specific than they had been, and the weavers thought the result would be a reduction of their net wages." "The strike," according to the assistant treasurer, "lasted about twenty hours, was confined to the weavers (about thirty in all participating, many of them against their will), and was settled immediately by the return to work of all who went out, *before* any committee was heard. After all had resumed work, we sent for the weavers' committee, and heard their complaints, adjusting some things as they suggested, but declining to touch most of the questions proposed. I am confident that our good feeling towards the weavers, and our record on the matter of coöperation, were important factors in settling the question so speedily and so amicably." <sup>1</sup>

As respects the employees, the successive circulars of the company, while speaking very decidedly of the progress which could yet be made in carefulness and

<sup>1</sup> Letter to E. W. Bemis, Ph. D., quoted in *History of Co-operation in the United States*, p. 110. This incident occurred about the 1st of July, 1885.



economy, indicate a gradual improvement in these respects. The circular of 1884 says of the workpeople : " It is believed, however, that a large majority have been as careful and conscientious as possible, and the officers of the company look with pride upon such, hoping and believing that the system of participation will yet produce good results, far beyond what it has accomplished in the past." The circular of 1886 concludes thus : " It is with satisfaction, however, that we look upon our undisturbed condition of mutual confidence and esteem. As long as this continues, we have one very important element of success." The Massachusetts Labor Report for 1886 states that " employees in conversation show that they have an intelligent apprehension of the policy of the company, and that they understand the conditions of success. Care was taken to get at the real feeling and opinion of the employees, old and young. They have faith in the sincerity of the company's purpose to promote their well-being, and they look upon profit sharing as a good thing for both the company and themselves ; not a philanthropy, but an excellent business arrangement. Although the amount of an individual bonus is not large, it is valued as a substantial gain, and when the end of the year fails to bring it, it is missed. . . . The development of care and diligence, that is, the moral education of the employee, has been as remarkable as it is gratifying." The Peace Dale system of profit sharing and the experience there gained are of importance to any one who wishes to study participation in what is evidently one of the most difficult fields for its application, the woolen industry.

J. Morton Brown and Co., proprietors of the Norriton Woolen Mills, Norristown, Penn., notified their

employees, January 1, 1887, that they would give each person a percentage of the profits of business on this basis : The employee who remained through the whole year should receive 5 per cent. on his total wages ; if the time were nine months, the percentage should be 4 ; if six months, 3 ; if three months, 2 ; and if any one left after a week's notice, he should receive his percentage in proportion to the time he had worked. But if he failed to give notice, or were discharged for any cause, he would have no claim to a bonus. In accordance with this agreement, the firm, on January 28, 1888, paid out over \$3,000 in percentages on wages of their employees, " which, we feel satisfied," they write, " will promote the good feeling that has existed among them toward ourselves for the past five years. We certainly think we can safely say that our output for the year 1887 has been an increase of 8 to 10 per cent. over any previous year, *solely on this account*. We think that, where the interest of both employer and employee are identical, it is of the utmost importance to maintain entire harmony in the workings of their business."<sup>1</sup>

Profit sharing has had its trial on the largest scale in the United States in the Pillsbury Flour Mills, at Minneapolis, Minnesota, the greatest establishment of the kind in the world.<sup>2</sup> The proprietors are Hon. C. A. Pillsbury (formerly governor of the State and

<sup>1</sup> Compare with the two preceding cases those described in section v. of Chapter IV. and section iii. of Chapter VI.

<sup>2</sup> The one authority for this case is Albert Shaw, Ph. D. (associate editor of the *Minneapolis Daily Tribune*, and author of *Icaria*). Dr. Shaw's *Coöperation in a Western City* (Vol. I., No. 4, of the publications of the American Economic Association) contains a chapter on "*Coöperative Profit Sharing in the Pillsbury Mills*." The whole work is reproduced in the valuable *History of Coöperation in the United States*, issued by the American Historical Association. I am indebted to Hon. Charles A. Pillsbury for a few details supplementary to Dr. Shaw's excellent account, of which I have made free use : my quotations are from Dr. Shaw.

mayor of the city), his father, an uncle, and a brother. They manufacture "Pillsbury's Best" in three mills: one, the largest in the world, has a capacity of 7,000 barrels a day; the other two can turn out 2,000 and 1,500 barrels respectively. "In few industries do intelligence, stability, skill, zealous interest, and absolute fidelity on the part of the entire corps of employees count for as much as in milling. Bad results caused by negligence are hard to trace to the culpable individual. The habitual attention to one's own work and to the work of one's fellows that is developed by a personal interest in the business is a great advantage in the modern manufacture of flour." The firm has always had the pleasantest relations with its employees, no difficulty ever having arisen between the two parties. The wages paid are the highest anywhere given in the business.

The scheme for profit sharing was announced September 1, 1882, at the end of the milling year. Out of the whole number of men, between four and five hundred, about one fourth were selected with whom to try the experiment the first year. This body included all the responsible employees in the offices and the mills, — "nearly every man whose labor could fairly be called skilled, or upon whose fidelity much depended," — and every other person who had served the firm five continuous years. Each of these men received from the proprietors a personal letter saying that the firm had "decided to give this year, as an experiment, to some of the leading men in our different mills, a portion of the net profits of the mill after we have credited ourselves with the interest on the capital invested. . . . This apportionment will be made only to the men who stay with us during the year, and is

subject to the provision that every man included in the arrangement shall perform his work and conduct himself in a manner entirely satisfactory to us." The letter called upon each man to do his best toward making the experiment a success. The plan was greeted with warmth by the interested employees; but their surprise was not less when, in September, 1883, they received checks for sums averaging about \$400, over \$40,000 being distributed among the hundred or so of men. The bonus was calculated upon wages, and it averaged nearly 33 per cent. of the whole year's earnings of each man.

The system gave complete satisfaction to the firm as well as to the men; it was accordingly continued as a permanent feature of the establishment. For the second twelve months there was a larger number of five-year men, of course, and the proportion of participants was otherwise increased. The bonus paid in September, 1884, was "about the same aggregate amount as in 1883." In September, 1885, at the end of the third year, about one third of the whole number of employees drew another \$40,000, as their share of the profits. In the three years a total bonus of \$125,000 was distributed, reaching the high figure of 33 per cent. on wages.

The next year, 1885-86, was a very unprofitable season for the Pillsbury Mills: the product, indeed, was some 2,000,000 barrels of flour, the largest output so far. But the important commercial element came in to offset the finest exertions of the employees. The firm bought large quantities of wheat early in the season at high prices, but "the market declined steadily thereafter, and the price of flour was reduced even below the normal ratio with wheat. Half of the Pills-

bury flour goes to Europe, and new competition abroad is curtailing the profit on the American export." The firm was obliged to announce to the men in September, 1886, that there was no bonus to divide. But, despite the lack of profits, the mills had been busy throughout the twelve months, and wages had not been lowered. The firm was justified, therefore, in calling upon the men for increased economy and carefulness, especially against fire. The employees received the letter of the firm "in the best possible spirit:" they had no reason to doubt its sincerity, or to question its explanation of the absence of a bonus. The next year was also an unprofitable one, the cause again being, in Mr. Pillsbury's words, "the great and continuous decline in breadstuffs, which nearly wiped out all of our profits." He further informs me, under date of January 16, 1888, that "we intend this year to greatly enlarge the number of men who will participate in our profits. . . . We shall get that time [the five years of service limit] down to two years at least, and possibly one. We do not make any reserve fund. If we make any money over and above 8 per cent. interest on our investment, a percentage is put aside for our men.<sup>1</sup> If we lose any, that is the end of it." In September, 1888, the firm distributed a fourth bonus of some \$40,000.

"Mr. Pillsbury is emphatic," writes Dr. Shaw, "in saying that he regards the system as advantageous to the firm: under no obligation to continue the plan of profit sharing, . . . he has no thought of abandoning it." One great advantage of the system is its un-

<sup>1</sup> This rate of interest, it should be remembered, is a common one in the Northwestern States; the percentage of profits distributed to the men the firm has not cared to disclose, but it is a fixed percentage, based on capital and wages.



doubted tendency to render the force stable. The firm requires only three head millers, but such is the reputation of the Pillsburys that from fifty to seventy-five head millers in other important mills have been drawn from their force. Aside from these departures for higher positions elsewhere, none leave voluntarily, and "a more permanent body of men cannot be found anywhere." A few men, indeed, have been spoiled, under profit sharing, by "improved pay, unexpected prosperity, and the sense of secure tenure in a fortunate position," and have been discharged. "But they are exceptional. The profit sharing system does, on the average, secure better service." A few inconveniences "are merely incidental to those very features of the system from which its great advantages arise."<sup>1</sup>

The N. O. Nelson Manufacturing Company, of St. Louis, Missouri, manufactures "steam and water brass goods," rubber and leather belting, steam pumps, engines, and boilers, and employs some 250 men. Mr. Nelson, who is a self-made man, of Norwegian birth, issued to his employees on March 20, 1886, a circular stating that the firm would divide profits with its men, for one year from the 1st of January, on this basis: Capital should receive 7 per cent. interest, and the remaining profits should be divided between capital and wages in the proportion which these bore to one another. Six months' service would give a claim to a share. The custodian of a contract to this purport, chosen by the men, was authorized to examine the closing of the books at the end of the year. On the evening of January 22, 1887, Mr. Nelson handed the

<sup>1</sup> There is no mutual aid association among the men of the Pillsbury Mills; but most of them are members of some kind of mutual aid organization not confined to the mills.

men \$4,828 as their dividend, certified by Mr. Wells, their representative. The great railroad strike of 1886, the building strikes, and the eight-hour movement had operated to reduce the dividend. The number of participants was about 150; each of these received 5 per cent. on his year's wages, in cash or in the form of an interest-bearing certificate. More than two thirds of the men chose to leave their dividends in the business. The individual shares of wage-earners varied from \$27 to \$46.

The first year's scheme was purely introductory: it was elaborated for the second year by adding provisions that one tenth of the profits left after allowing for interest and management should go to a provident fund for the disabled and the sick, and the families of deceased employees; that another tenth should be set aside for meeting losses or paying dividends in unfavorable years; that one fiftieth part should fall to a library fund; that the employees who had taken certificates for their 1886 dividend should receive a bonus one fourth larger than the regular dividend on wages; and that the required term of service should be raised to ten months. Mr. Nelson thus states the results for the second year of profit sharing under the modified plan: <sup>1</sup> "After making full allowance for wear and tear, possible bad debts, interest on our capital, etc., there remained something over \$30,000 to divide. Of this \$3,000 was set aside for a relief fund, and we are now regularly caring for the families of those who have died or are disabled. This is done under the supervision of a committee of the employees. I find that they are just as discreet about it as I could possibly be. Three thousand dollars were set aside as a

<sup>1</sup> Communication to the author of this work, February 7, 1888.

special surplus fund. This fund will be kept growing during good years, and thus be on hand to help make up for losses, or help pay dividends in poor years. Six hundred dollars were set aside for a library fund. We now have a circulating library of about 400 volumes, the reading of which is continually growing, especially among the boys and younger men. We shall keep adding to this. After all these deductions, there remained a dividend of 10 per cent. on the preferred class, namely, those who had earned a dividend in 1886 and had left it in the business, and had continued in our employ throughout 1887. All others received 8 per cent. Those who held dividend certificates for 1886 received 15 per cent. dividend on that certificate, representing 7 per cent. interest and 8 per cent. dividend. They were given the same privilege of leaving their dividends in the business, and about 80 per cent. so left them. There is the most perfect satisfaction on both sides, and perfect unity of feeling. . . . I am satisfied beyond any question that the system is right and judicious, whether regarded from a moral or a purely commercial standpoint." The shares of the individual employees on wages for 1887 varied from \$60 to \$125. Any one who earned \$15 a week in 1886, and took a certificate for his dividend, earned thereby \$21.45 in 1887, and was \$60.45 better off than if he had drawn and spent the money, according to Mr. Nelson's calculation. If the profits for the year 1888 should be as good, the workman's return, not counting wages, would be \$96.42, equal to the interest on an investment of \$3,500 in government bonds.

"The result of the second year's experience," says Mr. Nelson, who has written extensively on profit

sharing for a business man,<sup>1</sup> is "that I am more than ever convinced that we have found the true solution of the labor problem. Our belief is that the additional care and effort of the entire force will make up the dividend paid. I look upon this plan as business and duty, and not as any philanthropy or kindness, and our employees take the same view. If a man will admit, as I do, that the laborer is entitled to a fair share of the product of his work, over and above the wages which are paid to him, I cannot see how anybody can criticise the system. I hold that every worker in our employ has a right to participate in the gains secured by his own honest and effective work. . . . Our men belong to anything they choose. That is something with which we do not interfere. Trades unions have prevented the trades from being crushed to starvation wages. The proper union, to my mind, though, is the one in which we and our employees are joined. . . . Our men could not be induced to strike by any inducements which could be held out to them. . . . It is a solution of the labor problem on business lines, and every employer that takes it up will agree with me that it is so."<sup>2</sup>

The Haines, Jones, and Cadbury Company, of Philadelphia, in the same line of business as the Nelson

<sup>1</sup> See his pamphlet on *Profit Sharing*, containing a reprint of six newspaper articles, etc.; an article in the *North American Review* for April, 1887; and a paper in the *Journal of the American Social Science Association*, read at Saratoga in September, 1887. Of all the American profit sharers, Mr. Nelson comes nearest to the standard set by Leclaire, Laroche-Joubert, Boucicaut, and Godin.

<sup>2</sup> The bonus for 1888 to the preferred class was 8 per cent., the dividend 15 per cent.: the total bonus and dividend for 1886-88 was \$23,000. The working day is now nine and a half hours, and a fund gives rewards for improvements and inventions.

Company, introduced a system of profit sharing, modelled upon that just described, in February, 1887. The company allows a reserve fund, and pays the highest wages in the trade in the vicinity. There is no aid or benefit society among the men. On December 31, 1887, the company declared a bonus of  $7\frac{1}{2}$  per cent. upon wages. As the pay-roll for the 250 employees for 1887 was \$125,000, the whole bonus was \$9,375. Employees wishing to leave their share with the company at 4 per cent. could do so. The company's circular of December 31, 1887, says: "Business in our line has been reasonably active, and the profits above the average. This is largely due, we suppose, to the fact that every one working with us receives a share of whatever profits are earned." For 1888 both wages and capital were larger than in 1887. The bonus was \$9,100, equal to  $6\frac{1}{2}$  per cent. on a pay-roll of \$140,000. For 1889 the directors announce no definite ratio for the bonus, but promise a dividend to labor if a profit is earned over 6 per cent. interest on capital. "We believe the experience of the past two years has been satisfactory to all concerned."

Another instance of profit sharing due to the example of the Nelson Company is that of the **St. Louis Shovel Company**. It employs about 100 men, mostly on piece work, and had had a great deal of trouble with them, including a number of strikes. In 1887 it adopted profit sharing as a peace expedient. The general features of the Nelson plan were followed, with the addition of a committee of arbitration of five members. A small dividend was declared at the end of the year, and a large part of the men left their bonus in the company. The firm wrote in 1888: "The system is thus far purely experimental. We have not been enthusiasts on the subject, yet recognize that there are good features in the plan. . . . We adopted it with some reserve, and with the view of ascertaining if it would result in stimulating the workmen to greater earnestness of purpose, and efforts to promote the prosperity of the general business."



So far as our limited experience goes, we are inclined to the opinion that the operation of the system is favorable. We will need more time, however, to arrive at fixed conclusions concerning the matter. Theoretically, the plan is a good one." A prominent business man of St. Louis was much struck with the fact that the president of the company "had come to see that there was something in mutual good feeling. When they stood in a warlike position, their men would not do their utmost to produce a large output, for fear it would simply have the effect of reducing the scale of prices, and thereby do them no good. Last year all the surroundings and assurances led them to feel free to do all the work they could. Hence three substantial advantages have accrued to the men: 1st, they earned more in regular wages by turning out more piece work; 2d, they lost no time by strikes; 3d, they got a dividend. The president claims a saving for the owners by reason of the larger product, without any additional charge for investment or general expenses. That is to say, if 100 dozen shovels were turned out in a day under the present system, where only 90 dozen were turned out before, the extra 10 dozen cost the concern nothing but the raw material and wages. If the general charges, such as interest, rent, power, management, etc., amount to 20 per cent. of the product, they were clear ahead to this extent. I have no doubt this saving exceeded the amount paid out in dividends." In January, 1889, the company writes: "Our experience with profit sharing so far has been most satisfactory, and we believe it is the same with our men."

The Hoffmann and Billings Company, manufacturers of brass and iron goods, Milwaukee, Wis., notified their employees April 21, 1886, that they would divide net profits, over 7 per cent. interest on capital, on the basis of an equal dividend to wages and capital, the former (about \$125,000) being equal to one fourth of the latter. Six months' service was required, and the firm offered to

deliver a legal contract to a representative of the men. "Profits for 1886 were not very much above the 7 per cent. agreed upon; but being the first year, we paid our men a dividend of 1 per cent. in order to show them our sincerity. The year 1887 did not turn out profitably, as we had expected, and as a consequence there were no surplus profits to divide." A circular to the men announced that capital had received only  $5\frac{1}{2}$  per cent., but that the system would be continued with hope of a better result. "We have not discovered that our employees take a greater interest in the welfare of the business than previous to adopting the profit sharing plan, but we are in hopes they will see the benefits derived from a close attention to business and act accordingly in the future."

The Springfield Foundry Company, of Springfield, Mass., employs some fifty men of a comparatively high order; there are a few Americans, but the majority are Irish, with a sprinkling of Swedes and English. There have never been any labor difficulties in the foundry. Profit sharing was begun at the instigation of Mr. E. W. Seeger, the treasurer of the company, with the issue of Circular No. 1, February 1, 1887. "After closing our books for the year 1887, if they show a profit on the year's business which will warrant it, we propose to divide a sum of money among our employees, which sum shall depend upon the amount of such profit. A proper amount must first be laid aside to make good the wear and tear of buildings, machinery, flasks, etc.; to provide against losses from bad debts and otherwise, and for a reasonable dividend to the stockholders." The condition of service was nine months. The percentage of profits was to be fixed by the directors, and the bonus divided on the basis of earnings. No dividend under one per cent. should be announced. The men did not seem to comprehend the plan at first, but afterward expressed themselves to the effect that it was "a good thing" for them. Circular No. 2, of January 28, 1888, announced that

a dividend of  $2\frac{1}{2}$  per cent. on wages for 1887 had been declared by the directors. This gave each moulder, or other skilled workman, about \$20, the daily wages of such men averaging \$2.25. The men were free to leave their money with the company at 5 per cent., and about one third of the bonus paid was so deposited.

"We believe the men have done better the past year because of our offer, but we expect a much greater improvement this year. The men say themselves that the project seems much more real to them. The foreman testifies that many have shown their appreciation during the year just closed, and have done just as well as they knew how. He looks for much better results this year. He said in his speech [at the dinner to the employees] that he thought 'this profit sharing the best thing that ever was got up'!"<sup>1</sup> The circular of 1888 says: "While our business has been fairly successful during the past year, it cannot be said that profit sharing has produced any marked change of results in dollars and cents. We hardly expected it the first year. Yet we take pleasure in saying that most of the men have showed that they appreciated the profit sharing plan, and have tried honestly and heartily to do well." The circular goes on to show how the loss on bad castings the last year was fully twice the amount of the dividend paid to labor, though the average was as good at least as in other foundries doing similar work; and it calls upon the men to exercise greater carefulness, in their own interest. "We expect," writes Mr. Seeger, "to be able to make changes in the manner of running the foundry which in ordinary foundries the men would be apt to oppose, but in ours we are sure they would agree to, as it will benefit themselves as well as the corporation."

The Bucyrus, Ohio, Foundry and Manufacturing Company, employing 125 men, adopted a scheme of profit sharing in 1886. Net earnings over 7 per cent. on capital

<sup>1</sup> The bonus for 1888 amounted to 3 per cent. on wages.

were to be divided, 75 per cent. to the company and 25 per cent. to its employees on the basis of wages. In 1887 the company thought it wiser to make the bonus an indefinite one. Any employees who unite in a combination for the purpose of coercing the company or embarrassing its business forfeit their right to a bonus. The company divided 5 per cent. on wages in 1886 and in 1887: the bonus for 1888 is estimated to be about the same. "The men are thoroughly satisfied," writes the manager. "Our scheme has passed beyond the region of experiment, and demonstrated itself to be feasible and useful. At the end of the first year we were in doubt as to whether the prospect which particularly the *young* men had before them, of a bonus, did not make them more extravagant; and while there is a grave doubt in my mind still as to whether it has a good effect on some of the employees, I am convinced that most of the men, certainly those who are most benefited by it, make good use of the money, and make better use of their time because of the prospect ahead of them. The inauguration of the scheme and its success so far has fostered a kindly feeling toward us among our men, and the heaven will continue to work."

Rogers, Peet and Co., of New York, are large manufacturers of clothing. They have a capital of \$600,000; the annual business is \$1,800,000. The number of regular employees is 275, and 100 more are employed on occasion. At a dinner given by the firm to its employees, March 22, 1886, the announcement was made that the firm would set aside a certain percentage of their net gain at the end of the year, as a dividend to labor, even if this had been for a week only. Mr. Chambers, of the firm, stated that this percentage would have given 5 per cent. on wages in 1885 had the system been then in operation. The year 1886 was "but a fair one" for the business, yet



a cash dividend of  $3\frac{1}{2}$  per cent. on wages was declared January 19, 1887, at the usual dinner. Said Mr. Chambers to Dr. E. W. Bemis, whose account I quote: "Not only do I consider it a matter of justice, but a practical business measure, I do not see why the men should not share in the profits. We believe that all our men in all the departments of the business are working with more zeal and intelligence than they have ever shown before. . . . Does it pay financially? I hold that it does pay. In the purely mercantile department we can have no exact record of results, but in the manufacturing department we have a record which shows what every man does, and we judge from that." In the spring of 1886 the clothiers' combination of New York made an agreement with the cutters to reduce the day's work from 10 hours to  $9\frac{1}{2}$ , and to lengthen the Saturday half-holiday. Rogers, Peet and Co. agreed to the same hours, though they were not in the combination. "Our records show that our men are doing the very same work in  $9\frac{1}{2}$  hours as they did in 10. This at least equal production under  $9\frac{1}{2}$  hours as under 10 we trace to profit sharing. Our men were no more favorably disposed to us before the experiment than the employees of other firms. Our condition was no more favorable than that of other companies." The firm write under date of January 28, 1888: "The plan has worked to our entire satisfaction, and our dividend for 1887 was three and one half per cent. on a pay roll of about \$250,000. . . . One good result of our own action has been the encouragement of our men to save their earnings. Within the past year a Building and Loan Association was organized, chiefly by our own people, in which quite a number of our employees have united." The bonus for 1888 was  $3\frac{1}{3}$  per cent.



E. R. Hull and Co., clothiers, have fifty employees in their main store in Cleveland, Ohio, and they also support three branches. In 1886 they began to divide profits, allowing a definite percentage; for 1887 they promised to double the amount in case sales were increased in a certain proportion: this taking place, they distributed \$5,000 as a labor dividend. The proportional offer held good for 1888, and the same bonus was paid. "We were abundantly pleased with the effect of the profit sharing project the first year, and doubly so the second; shall continue it indefinitely." The employees are in the habit of holding meetings for the purpose of discussing ways and means of improving the sales, at which any carelessness in duty is censured as contrary to the common interest.

The Ara Cushman Company, of Auburn, Me., are the largest boot and shoe manufacturers in the State; the number of employees is from 650 to 750, the annual pay-roll is from \$250,000 to \$275,000, and the annual sales are from \$1,000,000 to \$1,250,000. Profit sharing took effect in this manufactory April 12, 1886, under a well-considered scheme which Mr. Cushman explained to his men in an address delivered at Auburn Hall, March 27th.<sup>1</sup> Wages paid were to be the same as those given by other manufacturers. From the annual returns there were to be deducted, first, interest on capital; second, fixed salaries to the partners for management; third, a fixed amount, or a percentage of what was due from customers at the end of the year, to provide for risks; and, fourth, a percentage of the net profits for a surplus or reserve fund, until such fund should amount to a certain per-

<sup>1</sup> Authorities for this case are this address, and the addresses of Mr. Cushman and Mr. C. S. Yeaton, of the workmen's committee, April 29, 1887, at the close of the first year of profit sharing in the establishment. Further details are from letters of Mr. Cushman.

centage of the capital. If there should then be any profits to divide, they were to be shared between the firm and the employees in the proportion that the annual wages bear to the annual *sales*, on the average between 25 and 30 per cent. Each man should receive a bonus in proportion to his earnings. Three employees of high standing, citizens of Auburn (two of them, at least, to be owners of property in the place), should be selected to represent the workmen, and to arrange the details of the plan with the firm. This committee was to be "sufficiently informed about the conditions and results of the business to enable them at the end of each year to report whether the conditions agreed upon have been correctly and faithfully carried out. These representatives are not to disclose or make public any fact concerning the business except the amount or percentage of dividend available for the employees."

Mr. Cushman explained at length and in detail the elements of success in such an industrial partnership as he thus inaugurated, pointing out especially the sources of waste and loss under the common wages system, by attending to which the men could save an amount justifying the firm in declaring a bonus. The ideas and notions of many of the Cushman employees, male and female, were not consistent with the conditions requisite for the highest success of the plan, according to the workmen's committee. The favorable result of the first year's trial was, therefore, due not so much to the increased faithfulness and efficiency of the employees as to other causes and circumstances. The obstacle to a perfectly fair trial of profit sharing which is raised by the extravagant claims of some labor organizations and by injudicious agitation is,

however, a feature of the present situation of labor in all civilized countries. Mr. Cushman emphasizes the need of patience and education; he intends to continue profit sharing "long enough to give it a thorough and earnest trial," and hopes to make it successful.

The result of the first year's operations under the new system was the declaration of a bonus of 4 per cent. upon wages. The business for 1886-87 amounted to \$1,269,262.66; the amount paid out for wages was \$288,244.67, and the dividend to labor \$11,529.78. It was the largest year's business in the history of the firm by over \$150,000, and the amount paid out to employees, plus the dividend, was the largest by over \$43,000. The very plain-spoken report of the workmen's committee, and the address of Mr. Yeaton, one of the members, both of which were received with applause by the meeting of employees, are indications that the system is gaining ground with the workmen in the Cushman factory. The bonus for the second year, 1887-88, was  $2\frac{1}{2}$  per cent. on wages, business being less profitable.

Keene Bros., manufacturers of shoes on a large scale, at Lynn, Mass., and Skowhegan, Me., have divided profits with their employees since 1885, but do not make public any of the details of their plan. In 1885 they had labor difficulties in their factory, which continued into the next year. Notwithstanding this fact, the firm divided several thousand dollars at the end of this first year. The firm issue, in payment of the bonus on wages, Certificates of Profits, after the manner of mutual fire and marine insurance companies, which are payable five years after date, being transferable like bank stock, and having a market value, either to hold or to sell.

George H. Kingman, a shoe manufacturer of Brock-

ton, Mass., practises a very simple method of profit sharing. By a written agreement, the workman contributes any sum he thinks fit to the capital stock. On this Mr. Kingman agrees to pay a certain percentage every year as profit; it is now 6 per cent. He assumes all the losses, and retains entire control of the business. The men may belong to any labor organization, but as they are, in a sense, members of the firm, they are not to strike or to be locked out. Mr. Kingman is free to employ or discharge whomsoever he chooses: any workman may leave on thirty days' notice, withdrawing his investment. The plan is "very satisfactory thus far," Mr. Kingman writes February 4, 1888; "the workmen all belong, excepting a few transient hands and the lasters." The prices of shares are made satisfactory between the parties.<sup>1</sup>

The Wardwell Needle Company manufactures at Lake Village, N. H., machine knitting needles of every variety: it is a business requiring expert and intelligent help. The employees, half of whom are women, vary in number from 16 to 20. In the spring of 1886 the company agreed with them to divide the profits of business equally, "after paying a reasonable interest on the stock." The result of the first year's business was "highly satisfactory." The stockholders received 6 per cent., — about the average for the past fifteen years, and there was a bonus almost one third as large in the aggregate, which gave about 6 per cent. on wages. The result was the same for the employee as though he had owned \$500 worth of stock, on the average. "With one third less help than for several previous years, our business has been more successful in the past year," wrote Mr. J. Aldrich, the manager, to the "New York Tribune" in March, 1887, "than in any previous year of our experience, and we attribute this largely to the plan of sharing the profits with the employees." In

<sup>1</sup> Authorities: E. W. Bemis, Ph. D., and a communication from Mr. Kingman.



1887 the results were fully as satisfactory as in 1886, writes Mr. Aldrich, but the year was a poor one, owing to the depression in the hosiery business. Net profits were less, and the bonus was about 4 per cent. The dividend is paid semi-annually to all the employees, as accounts are made up twice a year. It is quite likely that this system would be more successful, says Mr. Aldrich, with such help as he employs in this small business, than with "the average of employees in large manufacturing establishments. But I am satisfied that in all cases, if thoroughly tried, it would prove of great advantage to both employer and employees, as it would remove a great cause of discontent among the latter, and increase their pay as well as the dividends of the stockholders."

An interesting instance of profit sharing in a small way is related by Mr. W. Eliot Fette, of Boston, to whom I am indebted for all the details he cares to make public. Early in 1886 the employees of a gas corporation in which he was interested were given to understand that if the stockholders received a semi-annual dividend on May 1st, the employees should also receive one, based upon the first. The percentage was to be the same on the stockholders' dividend as this was on the capital stock. If, for example, a 3 per cent. dividend should be paid to the stockholders, amounting to \$3,000, the men would receive 3 per cent. on this sum, or \$90 (these figures are assumed). "The men have now received four such dividends, May 1 and November 1, 1886, and May 1 and November 1, 1887," writes Mr. Fette under date of February 3, 1888, "and I see no reason to regret the adoption of the plan, or to give it up. At the same time, the men understand that we are not committed to an indefinite continuance of it. During the past summer a 'walking delegate' visited the works of the company, and tried to induce the men to join the 'Knights,' or some other labor organization. The men replied that they could n't afford to do anything of the kind,



as they were treated altogether too well! and the delegate has not since been seen there. The result in this case has been such that I am about to try the same system in two other gas companies of which I have the management. I think the men take greater interest than ever in the prosperity of the company, and by economy and diligence contribute all they can towards it." The capital in this business, it should be remembered, is very large, so that a percentage of a percentage upon it may yield a sum sufficiently great to be acceptable to each man: Mr. Fette has found this to be so, as his letter proves.

The Rice and Griffin Manufacturing Company, of Worcester, Mass., with a capital of \$53,700, are makers of mouldings, sashes, and blinds. On January 15, 1887, Mr. R. S. Griffin, the superintendent, introduced profit sharing. The seventy-five employees were informed that they would receive, in addition to regular wages, one half of the net profits of the business. Interest was to be reserved at 6 per cent., and the employee must have worked six months in the shop. The net earnings of the firm had often been 12 to 15 per cent. on capital. The result of the first year's operations was satisfactory to all concerned. The employees received in February, 1888, nearly 4 per cent. on the pay-roll of the year past, the amount being \$1,476. "The stockholders have realized a larger return on their investment than for any of the eleven years preceding." Mr. Griffin, who has naturally, under the peculiar circumstances of the experiment, had unusual difficulties to contend with, considers profit sharing "a progressive and desirable plan both financially and morally." The plan was continued for 1888, the basis of division, after reserving interest, being the proportion of the pay-roll to the capital (\$40,000 to \$53,700); but owing to "unusual circumstances and causes there was no bonus to divide: the plan in every other respect worked satisfactorily."

The Century Company, publishers of the "Century"

magazine and of books, New York, has divided profits with its employees since its organization, some eight years ago. A certain part of the stock is set aside, and the profits on it are paid each year to the employees whose fidelity, energy, and skill are factors in the success of the publications of the company. A dividend has been paid every year on the basis of earnings, the amount running as high as \$20,000 in some years. The result has been a stimulation of the *esprit de corps* and enthusiasm in the service. "That this cause has contributed to the unexampled success of the Century Company's publications is not doubted by any one who is familiar with the interior history of the organization."<sup>1</sup>

The New York Staats-Zeitung has since 1880 given its employees of six months' standing a bonus of 10 per cent. on wages, which are at least as high as those paid on other German newspapers in America. The dividend for 1887 to 139 employees was \$13,623.26. The company have found that the system pays them well and works satisfactorily. "The employees feel attached to the business, are attentive, steady, and diligent, and there are no quarrels or strikes."

H. O. Houghton and Co., proprietors of the Riverside Press, Cambridge, Massachusetts, established in 1872 a savings department for the benefit of their employees, now numbering 533; it is open to all, as long as they are connected with the Press, and deposits can be made at any time in any sum up to one thousand dollars. Interest is paid at 6 per cent. "Whenever on the 1st of January of any year the deposits of any depositor equal or exceed one hundred dollars, and remain one year thereafter, the proprietors of the Riverside Press agree to pay also to such depositor a portion of the annual profits of their business; the amount paid not to exceed 4 per cent. additional on each hundred dollars." Interest uncalled for is added to

<sup>1</sup> Rev. Lyman Abbott, D. D., in the *Christian Union*.

the original deposit. In the last seventeen years the additional 4 per cent. has been paid fourteen times: in one year there was no extra percentage, in another the percentage was 3, and in the third 2.88. The amount on deposit has steadily increased, and there are now 168 depositors.

Rand, McNally and Co., a prosperous Chicago map-publishing and printing house, employ some 600 persons. In 1879 they began to interest the foremen and heads of departments in the business by distributing among them shares at par value, the terms of payment (largely out of dividends) being made easy; no man could hold over ten shares. This plan working well, the firm in 1886 admitted to its benefits the older and more skilful workmen. In all, 560 shares are thus owned by 47 persons, and the firm pays these small stockholders some \$20,000 a year, which is equal to 10 per cent. increase on salaries. Many of these employees are in very comfortable circumstances. "I am satisfied," says Mr. McNally, "that it is the best investment the house ever made. . . . Every man who has stock is watching the interest of the concern. . . . They help the foreman weed out the people who waste their material or slight their work. They feel the spirit of proprietorship."

The Samuel Crump Label Company employs in its works at Montclair, New Jersey, about 230 hands, and in 1887 manufactured 273,000,000 labels. In July, 1887, Mr. Crump proposed to pay his employees the *earnings* on 10 per cent. of the capital stock, which remained his individual property. All the hands, of both sexes, including salesmen, artists, engravers, electrotypers, paper-makers, color-makers, and cutters, were qualified to share in the dividend, if employed for twelve continuous months, and without debit marks during the last six months. Out of the whole number, 161 received checks January 28, 1888; nearly all the others had entered the establishment after the agreement was made. "We know," said Mr. Crump at the annual dividend dinner, "that the past six months has

demonstrated many things which before were considered impossible. . . . I can frankly say my hopes and anticipations have been realized, and to-day we are fairly launched on the road to profit, and a higher standard of manufacture than that which we had previously attained. . . . I am sanguine that our next showing of profits will be many times greater than the present, as the profit arises from the increased quantity manufactured without increasing the cost of production. . . . During the past six months we have manufactured 100,000,000 labels more than the previous six months, and with the increased facilities we now possess we can readily manufacture during the present year an additional 100,000,000 labels, making in all a grand total of 400,000,000 labels for the year. This is my aim, based on our facilities for producing, as, with the profit sharing system, you are participators in the results of your own labor." The first bonus was payable one half in cash and one half the next July, Mr. Crump suggesting that the latter be laid by as an investment of a permanent nature.

The Globe Tobacco Company, of Detroit, Michigan, was prevented by the laws of the State, so its attorney asserted, from establishing, in 1886, such a plan of coöperation as it might have desired; and it therefore made the following exceptional arrangement with the district board of the Knights of Labor: The company hands over to the board 1 per cent. of its gross receipts (after deducting the cost of revenue stamps), to be paid to its employees *pro rata*. Everybody concerned is satisfied with this unusual method. The quarterly dividends have increased wages about 10 per cent.: the first, August 11, 1886, was \$622.50; and the latest reported, October 12, 1888, was \$742.42. "The employees turn out more and better goods, and take an interest in pushing our goods outside, which has considerably increased our sales. We are at rest on the subject of dissatisfaction among them, and have no fear of any strike or other untoward movement. . . . Places in our



works are at a premium among employees in tobacco factories, and we secure the very best class of workmen."

The firm of Procter and Gamble, one of the largest and oldest manufactories of soap and candles in the United States, established in 1837, and employing some 400 hands, introduced profit sharing, at Ivorydale, Ohio, in April, 1887. The basis of the division of net profits was the proportion of wages paid to business done; the division among the employees is according to the earnings of each individual. The participant must have served three months, and his wages must average \$4.50 per week; this latter provision excludes about 75 small boys. As the bonus is paid twice a year, the first division was made in October, 1887. The wages of the employees for the six months previous had been \$98,271.45; on this sum there was declared a dividend of 13.47 per cent., amounting to \$9,015.43. Some of the men received as much as \$275 as their share. The second bonus, in April, 1888, gave 11.8 per cent. on wages; the third, \$6,373.24, in October, 1888, realized 9.33 per cent.<sup>1</sup> "We can see more appreciation on the part of our men of the mutual advantage of such a plan of working together, and a feeling that the interest of all is common."

The immense distributing establishment of John Wanamaker, of Philadelphia, Penn., announced on Good Friday, April 8, 1887, that it would observe its twenty-sixth anniversary by admitting a large part of its employees (there are over 3,000 in all) to a share in the profits. "All who have been in the employ of this house for seven years," said Mr. Wanamaker's circular, "and such others whose term of service shall hereafter reach seven years, shall participate in a portion of the profits of the year's business, which I shall

<sup>1</sup> These figures are given by the firm.



set aside out of my share in the firm at the time of its next annual settlement. I shall divide this portion among those employees on the seven years' honor roll, according to the value of their services to the firm, to be determined by their usefulness and faithfulness. In making this distribution I shall personally analyze the records of sales made, or work done for salary paid, and, considering opportunity, effort, behavior, and growth, shall endeavor to do exactly right by each one according to my best judgment. All the salespersons throughout the house will have added to their present salaries a sum each week graded by their merit and sales. To salespersons in certain departments where the transactions are most numerous, because in small amounts, the addition to the salaries will be in double ratio to those in the other departments." These extra payments were to apply only to the retail departments, and to such persons as had served six months.

Mr. Wanamaker, five years ago, organized an insurance association among his employees, under their control, which had distributed, in cases of sickness and death, over \$40,000 up to 1887. In April, 1888, he paid over to five trustees \$10,000 as a pension fund for permanently disabled employees. In fulfilment of the circular of 1887, there was distributed among the 300 employees who had been seven years continuously in the service of the house \$40,281.02. The extra payments in the retail departments, based on merit and sales, and paid each month, were \$59,158.66 for the year, over 1,800 sales-people participating.

W. H. Zinn, of Boston, a retail dealer, introduced profit sharing in January, 1887. His numerous employees are divided into three classes. The first class, embracing all who have served five years, receives one half of the whole

bonus; the second class comprises those who have served three years, and draws one third of the bonus; while the third class, including all the other employees, with the sole exception of the cash boys, receives the remaining one sixth. Two dividends have been declared, and the plan works to Mr. Zinn's entire satisfaction.

The Yale and Towne Manufacturing Company of Stamford, Conn., have practised for some two years a noteworthy system of industrial partnership to which Mr. H. R. Towne, the president, gives the name of "gain sharing." "My system consists in ascertaining the present labor cost of a given product, and in dividing equitably with those engaged in producing it the gain or benefit accruing from increased efficiency or economy on their part. It is essential to separate into two groups the factors relating to cost of product, putting into one those which depend upon the fluctuations of the market, the efficiency of the general management of the business, and the skill employed in buying raw material and selling the finished product; and into the other the cost and efficiency of labor, the expenses of workshop administration, the quantity (but not the market value) of material consumed, and the amount of product or output, measured in quantity and not in value. As a rule the workmen can have little or no control over the factors in the first group, while over those in the second group they can exercise a large and important influence." Under this system Mr. Towne's experience with 300 of his employees shows that "the average workman can so increase his efficiency as to secure for himself a gain of 5 per cent. or more in his annual earnings, while at the same time the employer will gain a handsome reduction in the cost of the product." The gain made at Stamford by the employee has varied from 2.1 per cent. to 12.3 per cent. on wages. The novelty of Mr. Towne's system is rather in its method than in its sound principle, which has been emphasized by numerous profit sharing firms, and observed by some at least.

The Page Belting Company, of Concord, N. H., adopted in January, 1887, as an experiment a system of rewards which has some affinities with profit sharing proper. The circular to the employees asked their cordial coöperation in this plan: If, on the 1st of January, the annual stock-taking shows that the net earnings of the company exceed 10 per cent. on its capital, then this excess up to the sum of \$1,200 shall be divided among the workmen not on salaries. The president selects seven men, out of whom a meeting of the workmen chooses two, to act with the president and superintendent, and one other chosen by them, as a committee on awards. The division of the bonus is upon the basis of merit, and especially good and valuable service, such as practical suggestions for the improvement of machines, or for processes by which money can be made or saved. The men who remain through the year, without complaint made, have the preference. Any workman can present in writing a claim for an award to himself or others on the above grounds. The company wrote in February, 1888: "We have had something to divide with the men this year. We have found that it encourages them, and interests them in the business as their own. We believe in the principle of profit sharing and coöperation, but consider it a problem that is not yet solved as to the best methods in detail." In January, 1889, the company divided the full sum of \$1,200, the plan having worked to general satisfaction the second year.

The large wholesale druggists, Meyer Bros. and Company, of St. Louis, Mo., and Dallas, Texas, employing over 200 men, adopted a system of dividing profits which has features of its own, in January, 1888. A certain amount of capital is set aside to draw 6 per cent. interest; whatever amount it may realize, in common with the remaining capital, above 6 per cent., is to go to the employees. The division will be on the basis of salaries up to \$1,200, no one being entitled to a dividend on a larger amount, whatever his salary may be.

The Rumford Chemical Works, of Providence, R. I., have been noted, like the "Public Ledger" of Philadelphia, for the generosity with which they provide for the sick and the aged and infirm among their employees. In December, 1886, they announced a method of paying premiums to their employees, in consideration of long continued faithful service, without regard to the profits actually earned. Employees whose wages amount to \$1,200 per year or less, and who have been employed ten years or more, receive at the end of the year 10 per cent. on wages as a gift: the figures rise together until 25 years' service entitle the employee to 25 per cent. on wages. For those who earn over \$1,200 per year, the percentage is one half the preceding rates. The plan has affected 110 persons out of some 300; three premiums have been paid, and the firm write: "Our feeling is that it was a wise plan for us to adopt." A wedding present of 10 per cent. of her last year's wages is made to each female employee on her marriage. The company has had no labor troubles, or symptoms of such.

Alfred Dolge, of Dolgeville, N. Y., a manufacturer of piano-felt on a large scale, has several features in his establishment which make it akin to the profit sharing firms of France and Germany, and his plans are in course of development for direct participation. He first built, several years ago, a club-house in Dolgeville, with a library, gymnasium, etc., to keep the men away from the saloons. He then started an aid society, now kept up by the men, which paid out last year \$811. A pension system was the next step. After ten years' service a disabled employee is entitled to draw a pension equal to one half of his last year's wages. After twenty-five years' service he can claim full pay. If disabled while on duty, or in consequence of sickness so contracted, he is entitled to half-pay, even if he has not served for ten years. Up to January, 1889, there had been only one occasion to apply this rule: the employee met with an accident while working some years ago, and he now draws a



pension of \$312 a year. In 1887 Mr. Dolge instituted a system of life insurance. Each employee who has worked five years is entitled to a life insurance policy of \$1,000, and at the expiration of the tenth year to another policy of the same amount. Premiums and all expenses are paid by the firm so long as the insured is in its employ. The employees who hold the more responsible positions receive larger policies. The amount of the policies now in force is \$107,000, including two of \$20,000 each, one of \$10,000, seven of \$3,000 each, six of \$2,000, and thirty-five of \$1,000. Nine persons who have been rejected by the life insurance company receive an amount equal to the annual premium, which is deposited for them in a savings bank. The firm spent \$4,822 on this insurance system in 1888, benefiting 60 persons; January 1, 1889, thirteen more persons became entitled to policies. Mr. Dolge also distributes at the end of each year, chiefly among the foremen, a certain share of the profits — equalling generally from 5 to 10 per cent. of their salaries — in proportion to their zeal and skill. The pension and insurance plan Mr. Dolge considers a strong safeguard against strikes.<sup>1</sup>

J. W. Tufts, Boston, manufacturer of arctic soda-water apparatus, proposed to his employees (over 400 in number), in March, 1887, that they should establish a mutual aid society, contributing 1 per cent. of their wages, to which he would add an equal amount. The proposal was accepted: nearly every employee is now a member of the society, which pays at least half wages in cases of sickness or disability, unless these have resulted from the use of intoxicating liquors or immoral conduct. For the first year, over one half of the assessment was returned to the members, some \$1,500 having been paid out. A special savings deposits plan was instituted in January, 1888. Deposits from weekly wages may be made in sums ranging from 25

<sup>1</sup> See, in the *Journal of the Social Science Association* for 1887, a paper by Mr. E. Richard on Mr. Dolge's methods.



cents to \$2.00, the total amount to any depositor's credit being limited to \$1,000 : ten per cent. interest is allowed. Over two thirds of the force are depositors, and the amount due them December 1, 1888, was \$8,092.82.

The Public Ledger, of Philadelphia, Penn., offers an excellent example of the practical sharing of profits between employer and employee, without any formal stipulation to that effect. Mr. George W. Childs, the well-known proprietor of this journal, begins by paying the best compensation in the city to all his employees who are on salaries. Upon the rate per thousand ems fixed by the Typographical Union, he next pays an advance of 5 cents, which is equivalent to a bonus of over 10 per cent. Vacation presents in the summer and holiday presents in the winter, the payment of full wages to sick men until they recover, and pensions often equal to full pay, are some of the other methods in which Mr. Childs informally shares profits with his employees.

At the annual meeting of the stockholders of the Toledo, Ann Arbor and North Michigan R. R. Company, April 20, 1887, a system of profit sharing, devised by the president of the company, Hon. J. M. Ashley, was unanimously adopted. The participants are to be all officials and employees who have served continuously five years. The basis of division is the amount of the individual salaries, added to the capital, the dividend being reckoned at the same rate on each factor. Other provisions refer to the disabling or the retirement of employees. As the company has not yet reached the stage of paying dividends, no bonus has been declared : this instance is the only one in America in which the plan has been adopted by a railroad company.<sup>1</sup>

<sup>1</sup> A considerable number of firms in the United States, not here named, are experimenting with profit sharing, but for various reasons desire to make no statement of results at present.

## CHAPTER VIII.

### PAST PROFIT SHARING.

FOR the purposes of this work, the still comparatively limited number of instances of profit sharing may most conveniently be divided, in a general way, into cases which have become simply historical, and cases where the system is now in operation. This chapter will embrace particulars concerning the majority of the instances in which the plan has been tried, and, for any reason whatever, given up. These particulars have been purposely made fuller instead of briefer, than those of the greater number of the cases still in effect. I have deemed it desirable, however, to include in Chapter V. the interesting instance of the Orleans Railway, where participation is in a condition of suspended animation; and in Chapter VI. the noted cases of H. Briggs, Son and Co., and Fox, Head and Co. With these exceptions, this chapter embraces a chronicle of the instances in which profit sharing after trial has passed out of practical effect. The first section of the next chapter enters into a critical examination of these cases.

In the H. vom Bruck Sons' manufactory of silks, velvets, and velvet ribbons, at Krefeld, Prussia, belonging mainly to the four brothers Seyffardt, the division of profits was tried for ten years, and then abandoned. The firm gave employment to 2,600 to 3,000 looms, and the weavers worked in their own houses by

the piece. The other processes of the manufacture were carried on in the factory. In 1867 the partners agreed among themselves to insert in their articles of partnership a provision for allowing the employees a certain definite percentage on the profits. But of these facts the workmen were not informed further than that rewards would be granted them at the close of prosperous years. The men were to share alike, without regard to seniority or wages earned. Each loom must have worked at least 8 months in the year; but as the bonus was not to be paid before the 30th of September of the following year, to looms then at work, the time condition was evidently 20 months. Wages in the establishment amounted to 24 per cent. of the value of the product. The pecuniary result of the plan was as follows: In the year 1868 there were divided 8,685 marks (the mark is equal to 24 cents) among 1,654 looms; in 1869, 21,987 marks among 1,832 looms; in 1870, 13,020 marks among 2,170 looms; in 1871, 13,536 marks among 2,252 looms; and in 1872, 43,038 marks among 2,391 looms. For the three years 1870-72, these sums were equal to  $1\frac{1}{2}$ , 1, and 2.7 per cent. on wages. In the years 1873-75 there were losses, and in 1876-77 the profits realized went to make up. In 1877 the trial came to an end, and was not renewed. Herr L. F. Seyffardt, in writing to Dr. Böhmert, emphasizes the speculative character of the business, which makes a very large reserve fund necessary, and allows but a small percentage of profits to the employees. His hopes in establishing participation had not been met. He had observed no sign of improvement in the men, or of increased attachment to the house; he accordingly looked upon profit sharing as a "luxury," which might be recommended to

exceptionally prosperous masters, but was of little value as a solution of the labor question.

The Cotton Mills at Kaufbeuern, in Bavaria, employ some 650 workmen. With no formal regulations, an average amount equal to 10 per cent. on wages was distributed from 1871 to 1879; it varied from 25,500 francs to 49,271 francs; there were also donations for sick and pension funds. In 1876 the wages paid, 450,000 francs, were about equal to 22 per cent. of the capital; the precise proportion to the annual product was not definable. Piece work is common, and a system of progressive prizes on production increases the wages of some men 30 per cent. The first bonus of 34,286 francs was distributed in two installments; but much of it being ill-spent, the firm changed the method, and paid subsequent bonuses along with wages every fortnight. They could be deposited at interest. The older workmen and the married men appreciated the system more than those younger or unmarried; socialistic agitation had an evil influence on the latter. In 1879 affairs were bad, and a dividend of only 3 per cent. on capital was declared, after paying the bonus of 25,500 francs. This proportion, of course, could not continue, and the system of prizes on production was substituted for profit sharing. In 1883 and 1884 this system brought about the former increase of 10 per cent. on wages, and the manager considers it a better guaranty of high earnings; it works to the satisfaction of all, and effects a greater stability in the force.

The Keller Brothers, cotton spinners, at Fischenthal, Canton Zurich, Switzerland, introduced participation in their factory of 6,700 spindles, employing from 36 to 40 workmen, January 1, 1872. The sum divided seems to have been at the discretion of the firm. Each workman's share was retained by the house for twelve months at 5 per cent. interest, and could then be withdrawn or continued on deposit. Two divisions from net profits, of 1,200 francs each, were made, which represented 8 per cent. on wages; the

individual parts varied from 15 to 60 francs. The Messrs. Keller began their experiment with "veritable enthusiasm," they say, but after two years' trial of the plan they confessed to a "cruel disillusion." They had realized not the slightest improvement in the labor in their establishment: the day-workers took not the least interest in the business; they were idle and careless, as previously, whenever the overseer turned his back. The firm accordingly gave up the plan, with no little irritation at the disappointment of their great expectations.

Geillinger Brothers, manufacturers of calicoes, at Winterthur, in Switzerland, employed in 1867 from 90 to 100 workmen, paid by the piece, whose wages were equal to one sixth or one seventh of the value of the product, and to one twelfth or one thirteenth of the working capital, which was very large on account of the firm's exporting its goods. In the system of participation introduced in this year, all the employees were admitted. Seniority, special services, and peculiar merit received an extra reward; idleness, on the contrary, and wastefulness, reduced the workman's share. The bonus, which seems to have been fixed by the firm each year, was paid in cash, by installments. The nature of the business demanded a heavy reserve fund, but the yearly contribution to this was much less than the bonus. The financial result to the operatives was a dividend of 5 per cent. on wages in 1867; of 1 to 2 per cent. in the years 1868-71; of 10 per cent. in 1872; and of small sums in 1874-77, the calico business being in an extremely bad condition in these latter years. Wages rose between 1867 and 1877 some 30 per cent. for hand labor, and from 20 to 25 per cent. for other workers. The firm observed in 1873 a lively interest in the system on the part of the best, most solid elements of their force, which was shown in words and in deeds. The next year they stated that their hopes had not been entirely realized. "The workmen do not yet understand," they say, "that any negligence on their part



is prejudicial to all." But the socialistic agitation of the time had contributed to this ill result, while the small bonuses which could be distributed seemed to the men unimportant. The plan was therefore discontinued.

In 1867 Herr F. Schindler established a printing house at Mollis, Canton Glaris, Switzerland, in order to give employment to the poor of the district. A savings fund received a compulsory contribution, from every employee, of five centimes on each franc of wages. To this fund the house added a determined percentage (not made public) of the profits of the business. This bonus was divided equally among the 112 male and female workers. From 1868 to 1873 the whole amount of bonus was 15,790 francs. But the workpeople got deeply in debt to the tradesmen of the place, overrunning the deposits to their credit, and the fund was given up at the expiration of the five years for which it had been established on trial.

The Brass Works of W. Borchert, Jr., in Berlin, Prussia, practised profit sharing from 1868 to 1872 inclusive. In the first of these years they employed 67 men, and in the last 130, wages being only 3 per cent. of the cost of the product. The capital was 300,000 thalers. The bonus was 50 per cent. of the net profits, after allowing for all expenses and for 6 per cent. interest on capital. The participant must have worked for one year; his bonus could be deposited in the business. In the five years, 1868-1872, the total amount realized by the workmen and the 3 to 6 inferior employees was 70,992 m., including interest and dividend to the amount of 19,196 m. In 1872, out of 130 workmen 57 held 39,645 m. of the capital, and the four superior employees 103,011 m. The system was fundamentally changed in 1873, when the firm became a joint-stock company. The bonus of the workmen, says Herr Borchert, in accounting for

this step, varied according to circumstances over which they had no control, such as the prices of copper, zinc, and coal. The profits or losses were thus dependent upon the commercial department, while wages were a very small part of the bill of yearly expenses. A large number of the men were paid by the piece, and the proprietor could not recognize an increase in zeal or care, to be estimated in figures. The greater part of the men, remaining in the works but a short time, were little affected by the prospect of a bonus at the end of the year. The influence of profit sharing was, then, limited to the avoidance of difficulties and strikes, and some improvement in the stability of the force. There had been a constant rise in wages. Herr Borchert substituted for profit sharing the group system and premiums on production. These were regulated by the results obtained under profit sharing, so that the previous wages and bonus determined the average prices paid the groups and the progressive premiums. The present system rewards the workman each month, according to the quantity and quality of his work; and Herr Borchert, again the owner of the establishment up to his death in 1888, was satisfied that it met the demands of his special business better than profit sharing. In 1873 he established a fund of 150,000 marks, in stock of the company, the income of which allowed prizes for economy, retiring pensions, aid to widows and orphans, and assistance in case of stoppage of work; the workmen were still interested in the establishment.

M. Lenoir, 14 Rue de la Tour-des-Dames, Paris, is in the business of house-painting and decorating. After having suffered much from several strikes, he introduced participation in 1870, under the influence of M. Leclaire.

Wages with him equalled two thirds of the expenses: as they increased, the director's salary of 6,000 fr. rose in proportion. The requirement of two years of service constituted a *noyau* of twenty members out of the forty men employed. The bonus was 25 per cent. of the net profit: in the first year, 1870-71, the war prevented the earning of a dividend, but M. Lenoir declared a bonus from profits put by in previous years for this purpose. From 1871 to 1883 the wages paid to non-participating workmen, working by the day, varied from 16,823 fr. to 99,912 fr.; wages paid to non-participants, on job work, from 7,910 fr. to 33,142 fr.; the participating workmen earned from 28,849 fr. to 48,940 fr. in wages, and drew in cash bonus from 2,419 fr. to 13,723 fr. Their number ranged from 18 to 23: in the case of four men, some allowance was made for seniority. A first charge on profits, to the extent of 5 per cent., went to constitute a reserve fund (limited to 10,000 fr.), which belonged, three fourths to M. Lenoir and one fourth to the *noyau*, the latter thus becoming a participant in losses to a certain extent. The inspection of accounts was arranged, as in the Barbas house, by calling in an expert accountant at the end of each year, whose report was final. M. Lenoir, in 1883, found participation "an excellent thing: it attaches the man to the master (no participant having ever left the house), creates cordial relations between the two, and causes envy to disappear, as the workman perceives that if the master is gaining, he, too, draws some advantage from it." M. Lenoir's son, however, would prefer to place a share of the profits in a provident fund, rather than have the trouble of a scheme of profit sharing (*l'ennui de s'occuper d'une participation*). This feeling is common among Parisian employers in this line of business, and M. Leclaire, for this reason among others, has had but two followers in his own industry, — MM. Lenoir and Saunier.

"Unfortunately," said M. Lenoir in 1883, "I have not the prospect of seeing my efforts seconded in the future.

My son, who is twenty-seven years old, does not share my ideas in this respect; nevertheless, I intend to continue, so long as I shall be in the house, the system which I have introduced." The year 1884 was a year of losses, and no bonus was announced. On the 18th of June, 1887, twelve of the twenty participants united in a letter to the firm, asking that participation be abandoned, and that their wages be raised 5 centimes an hour, with presents at the end of the year, at the discretion of the employer. MM. Lenoir expressed their surprise and regret to the workmen assembled a week later, and refused to pay the advance in wages asked. On the following 15th of December, the firm notified each of the participants by letter that participation would be discontinued with the year. The action of the employees appears to have overcome the intention of M. Lenoir to continue the system for the few years more in which, at his age, he could hope to be active in the firm, and to have decided him to make at once the change which his son would probably make within a brief period.

Profit sharing found its simplest expression in the pianoforte manufactory of M. A. Bord, 52 Rue des Poissonniers, Paris. M. Bord employed from 320 to 350 workmen of all kinds in the making of pianofortes for export: in June, 1882, the fifty thousandth instrument was finished. The occasion of the introduction of participation was a strike in 1865. M. Bord's simple scheme embraced only an immediate distribution of cash bonus. After the payment of running expenses and 10 per cent. interest on the owner's capital (2,000,000 francs), the remaining profits were divided between capital and labor. The basis of division was the amount drawn by M. Bord as interest on the one hand, and the amount of wages paid on the other. If interest represented two fifths of the total of these two amounts, M. Bord drew that proportion of the net profits, and three fifths went to the men. Any one was qualified to participate who had worked six months continuously up to the day of the annual



distribution : his share was proportional to his wages earned, at the usual market rate. In case a change of wages was to be made, five workmen were called in to give advice : the six or seven overseers who shared in the bonus reviewed the accounts of the year. Five sixths of the men were on piece work, and averaged from five to seven francs per day. The only relief provision was that in case of sickness the employee, if unmarried, should receive two francs a day ; if married, three francs ; half the expense was charged to the general bonus, the other half to the sick man's own dividend account. The firm employed a doctor for the men at its own expense.

Competition with German pianoforte makers becoming severe, M. Bord, in 1875 or 1876, gave up his share of profits, so that these went entirely to the workmen, and in 1882 he reduced the rate of interest on his capital to 5 per cent. Still further, in this very bad year he added 10 per cent. on wages to the dividend, and in 1883 5 per cent. Including these two extra dividends, and excluding 1871, the year of the Franco-Prussian war, the account for the years 1866-1882 stands thus : The total bonus to labor varied from 16,186 fr. in 1866 to 130,123 fr. in 1882 ; the ratio of bonus to annual wages varied from 9.4 per cent. in 1866 to 22 per cent. in 1875, the average being 17 per cent. ; the grand total of bonuses paid up to 1883 was 1,289,415 fr. M. Bord died in 1888, and it is not surprising that his successor gave up his one-sided system.

Herr Adolf Kroeber, lumber dealer, of Munich, Bavaria, granted a share of his annual profits to his employees up to 1875. His sawmills are located in the Upper Palatinate and Galicia. The nature of the business and the uncertainty of its future did not permit the allotment of a fixed sum, but from 20 to 30 per cent. of the profits were so divided as to give the common workman at least one extra week's pay, and so on through the various grades, up to the superintendent of a mill or yard who received at least



three months' increase of salary. The results of this plan varied greatly: in the Schwarzach mill, for example, in 1873, the bonus was 5,143 marks; in 1874 there was a loss, but a dividend drawn from another section of the business gave the men 1,714 marks. Affairs became worse: heavy losses were incurred, and the scheme had to be abandoned; the same bad state of things prevailed throughout the trade.

The Thode Paper Works, at Hanisberg, near Dresden, Saxony, interest their chief employees in the business by granting them a share in the profits, regulated by the articles of incorporation. From 2 to 3 per cent. of the net profits supply rewards for a number of other employees. Prizes for increased production above a fixed quantity are also paid. An attempt to extend participation in the rewards above mentioned excited jealousies between the men directly employed in producing paper and the other workmen of the factory. The facilities offered for savings were not used; and when the firm retained a portion of the rewards as a compulsory savings fund, the socialistic ideas of the men caused trouble, and an increase of wages had to be granted instead. The house now limits itself to offering prizes on production.

Baur and Nabholz, builders, at Seefeld, near Zurich, Switzerland, employ in the summer season from 400 to 500 masons, carpenters, etc., and in the winter from 150 to 200. The nucleus of fixed workers numbers only 30 to 40; but it is important to have the men return to work in the spring. With the intention of fixing this very unstable class of workmen, Messrs. Baur and Nabholz made an agreement in 1869 to give their men 40 per cent. of the profits, after allowing 5 per cent. interest. At first, three months' service was required, then twelve months, as a condition of participation. The bonus of each workman was determined by the chief, according to wages and merit: it was to remain in the house at 5 per cent. Each branch of the house had its own accounts. Losses were to be borne by the proprietors and

the participants in the proportion of the capital to the deposits of the men. When a workman had a deposit of 100 francs, he could take part in the annual assembly, which chose a committee of four to examine the accounts, and to decide all important questions arising. The agreement was to be in force two years. In 1869 there were 98 participants; in 1870 there were 97. The bonus for the two years was 9,285 francs. At the end of this time, the firm returned to its former system of prizes. The greater part of the men lacked interest in the new régime, and their pretensions became too great. Under their present system the firm are content on the whole, although the base ingratitude of some workmen causes them "bitter disillusion."

M. Célestin Martin, shipbuilder, at Verviers, Belgium, divided 10 per cent. of his annual profits with his workmen from 1866 to 1870. In this latter year he proposed to them to adopt a scheme of more complete coöperation, under which he would give up his salary even, and the profits from his inventions. The men, however, not only rejected this proposition, but also declared that they did not wish the participation, which had been in force for four years, to be continued. M. Martin has since died, without making any further attempt to put his ideas of coöperation into practice.

In 1872 Herr Albert Niess, master carpenter and builder, of Brunswick, made a contract of partnership with his best workmen, about one third of the whole number, by which they were to receive 20 per cent. of his profits, after a reserve of 5 per cent. interest on capital. The results, he wrote to Dr. Böhmert, were "most melancholy." Troubles arising in the first year's trial of the plan led Herr Niess to change the method of equal division of the bonus. The results of the second year being no more satisfactory, he substituted the system of prizes in the third year, but gave this up as being no better than its predecessors. His workmen displayed all the industrial vices: they were idle,

careless, wasteful, dissatisfied with their bonus, quick to join in strikes, and to leave their employer when hard times came on, and they wasted their substance in riotous living. Herr Niess's reserve fund was exhausted, and it is small reason for wonder that his three years' experience was sufficient. Brunswick was at this period a very hotbed of socialism.

The leather manufactory of H. Reymond, at Morges, Canton Vaud, Switzerland, employs 35 to 40 men, on day and piece work. Wages equal from 15 to 20 per cent. of the capital; their relation to the product varies greatly. In 1872 M. Reymond began to divide an indeterminate sum as a bonus among employees of two years' standing. Seniority, and above all personal merit, were the bases of the division. From 1872 to 1875, inclusive, the individual parts varied from 50 francs to 300 francs. In 1876 and 1877 the concern lost money, and in this latter year the proprietor stated that he had not yet observed any appreciable advantage from the system practised, and it gave way, with his heirs and successors, to a system of rewards, which they find "fully as just and practical."

C. Keilpflug and Co., cigar manufacturers, of Berlin, made an abortive attempt at participation in 1876. They employed 29 men and 34 women, with whom they proposed to divide net profits equally, one year's service being required: the shares were to be of equal amount. Two delegates elected by the workpeople had a voice in the management. The plan was suppressed in less than a year, the reasons given by the firm being the antipathy of the employees, and the attacks of the socialist journal, the *Freien Presse*.<sup>1</sup>

Messrs. L. Moekel and Kollmar, cigar manufacturers, at Rulzheim, Baden, practised participation with their 100 employees from the beginning of their business in 1872 to 1874, inclusive. But the plan was not appreciated, they

<sup>1</sup> To other experiments known to me, lasting less than twelve months, I have not considered it profitable to devote space.

say. The workmen assumed to act as if masters of the establishment, and several expulsions became necessary. The proprietors substituted the pure wages system in 1875, and have had no further difficulty with their employees, the authors of the disturbances having been dismissed.

Mr. James Samuelson, author of a work on "*The German Workingman*," was for a number of years, previous to 1875, the manager of an establishment in Liverpool, England, for the manufacture of cocoanut oil. He introduced the plan of giving to each good workman who had served one year a bonus of 10 per cent. on his wages. This was credited to him towards the payment for a fifty-pound share in the business. When six pounds had been paid on a share, the owner received the dividend (which averaged 15 per cent.): when the share was two thirds paid up, the owner could vote on it. In 1870 forty-five shares were thus represented by workmen, and Mr. Samuelson wrote: "The increase of zeal which the men bring to their work and the reciprocal superintendence which they exercise, are a large reward to the management for the portion of profits which it allots to the force." The firm commanded the best workmen in the market. The system was not continued by Mr. Samuelson's successor.

The only instance on record of profit sharing by government officials is the three years' trial of the system in the Postal Service of the Swiss Federation. The plan of rewarding the inferior employees in the postal and telegraph services according to the principle of piece work (so much, for example, on each letter delivered or despatch sent) has prevailed for some time. But in 1869 the employees in the central and district offices were admitted to a certain percentage of the profits of the postal department. The plan worked well, but it was abandoned in 1872. The reasons given by the authorities were, that the keeping of the accounts became too complicated; and that the system, applied to the superior employees only, led to jealousies among



the officials in the other departments of the government service. The General Assembly, in returning to a system of uniform salaries, declared: "If the post-office wished to decide the question from the standpoint of its own interest only, it might easily decide to retain profit sharing, since it is plain that the upper officials can exercise an important influence upon the increase of receipts, and especially upon the diminution of expenses, and that it would be well if they could be stimulated by a personal interest."

The Zurich Steamboat Company began in 1869 to distribute 5 per cent. of its net profits among its various employees, and deposited another 5 per cent. in an aid and retiring fund. The number of participants between 1869 and 1874 ranged from 151 to 206; the bonus, from 814 francs in 1869 to 9,617 francs in 1874; and the average bonus to each individual, from 5 francs to 47 francs. In 1870 no profits were earned; and in 1875 the business passed into the hands of the Northeastern Railway Company, which discontinued the system.

The Berlin-Anhalt Railway Company allotted a share in profits to its employees from 1870 to 1873 inclusive. The bonus was 3 per cent. in cash of the excess over a 5 per cent. dividend on stock, when 6 per cent. was actually paid. The total bonus varied from 101,891 marks to 118,575 marks; the dividend on wages, from 16 to 18½ per cent.; the number of participants, from 1,380 to 2,027. In 1874 the company made such changes in the remuneration of its force that its expenses in this respect increased 50 per cent. in two years. Consequently the annual bonus fell off to 60,000 marks in 1874 and 15,000 in 1875, and it then took the form of prizes for special services. The company retains a system of prizes for economy in oil and fuel; but profit sharing has been replaced by the augmented scale of wages. No information is given in Dr. Böhmert's work as to the results of the system during the four years in which it was in effect.



In the *Maison Gaiffe*, a manufactory of electro-medical apparatus, electric-light machinery, etc., in Paris, the clerks and overseers had been for years interested in the profits, when M. Gaiffe in 1880 introduced general participation. The participant was required to show six months' service in order to claim a share of the bonus, which was 25 per cent. of the net profits in one department and 35 in another. One third part of the bonus was divided on the basis of wages, one third on that of the number of hours of actual work, and one third on that of seniority. One half of the sum was paid in six months; the remainder, due within twelve months, might be left with the firm at 5 per cent. interest. An Aid Fund, in addition, drew 8 per cent. of the net profits of both departments of the business: each participant had a separate account, on which his share of the principal and interest accumulated, with the usual provision for its withdrawal after 20 years of service. A consulting committee was a feature of the system. After 4½ years' trial, "the results obtained, both from the moral and the material points of view," being negative, said M. Gaiffe in 1887, the system was abandoned so far as the workmen were concerned. "I will not seek to explain my lack of success, not having even suspected the cause."

A. S. Cameron and Co., of Jersey City, N. J., manufacturers of steam-pumping machinery, gave notice, July 12, 1869, that at the end of the next business year they would distribute 10 per cent. of the net profits among their workmen. The system continued with great success for eight years, until Mr. Cameron's death in 1877, and the passage of the business into other hands, caused it to be discontinued. The bonus paid was 4½ per cent. on wages each year, wages having been increased several times. "It had a salutary effect on the men, morally as well as economically, and presumably upon the business success of the firm. An employee said to us: 'Mr. Cameron was a very shrewd business man, and would not have continued profit sharing

if it had not been a business success. He had the perfect confidence and respect of his men.'''<sup>1</sup> In the great strike of 1871, for eight hours' work with ten hours' pay, some of the men in the foundry went out at the order of their trade union, but they soon returned. Most of the employees were German and Irish. Each man of the force contributed to a sick fund five cents a week, Mr. Cameron doubling the whole amount: he also encouraged home-owning.

A New England Factory, concerning which I am not at liberty to give certain details, began, twenty years ago, a trial of profit sharing, which is of interest as adding some further testimony from experience. The firm employed over a hundred men, mostly of foreign nationality, working by the day: many of them were unable to read and write until recently. The work is so divided that but little skilled labor is required. Six months' experience would fit any able-bodied person, at all apt with his hands, to fill any place among two thirds of the employees: wages, of course, were moderate, although as high as were paid in other establishments of the kind. In May, 1868, the firm proposed to the men to give them 10 per cent. of the net profits realized in the next eight months: these profits were to be found by deducting from the receipts wages, interest on the capital, rent of factory, commission for selling (for which a separate establishment was maintained), and other expenses. The wages paid during the first eight months amounted to \$43,000, and each man received as bonus 5 per cent. on his earnings, which was equivalent to half an hour's extra pay for each day's work of ten hours. For the next year the firm increased the bonus to 12½ per cent. on net profits: this gave 3 per cent. on the pay-roll of \$74,000. For the following year the same percentage on profits yielded the men 2 per cent. on \$78,000 wages. For the next sixteen months the bonus was 5 per cent. on a total amount of

<sup>1</sup> Massachusetts Bureau of Statistics of Labor, Seventeenth Annual Report, pp. 172-174.

wages of \$111,000 : this sum was made up previous to the great Boston fire of 1872, and was paid shortly after it. The effect of the system, so far as the employees were concerned, was good. But the employers, in order to satisfy themselves in the matter, felt obliged to pay the men more than the percentage agreed upon. In the second year there was not, in fact, enough earned to yield any bonus, and on each year more was paid the men than was promised at the beginning. If the accounts had been made up closely, the result would have been so meagre that the men would not probably have been satisfied. Yet the system would doubtless have been continued but for the great fire, in which very heavy losses were sustained, that were hardly made up during the four years following, in which, owing to the panic of 1873, there were no profits to divide. Since 1876 the business in this line has been done with less risk than formerly, but with less profit on the average. As a portion of the product is now obliged to seek a foreign market, the competition of foreign wages is felt, and the result of all the changes in this business is such that no bonus could be realized for labor above the full market wages always paid. The firm has, accordingly, limited itself to encouraging house-building by its employees, and making loans, at moderate interest, to sober and industrious workmen, to be repaid in small sums. The firm consider this policy much better for all concerned than the erection of tenement houses to be let to employees. One half of the men in this factory are married, and four years ago there were owned among them 78 houses, eleven of the men owning 29 houses.

The noted firm of Brewster and Co., carriage manufacturers, New York, carried on a scheme of profit sharing with their 450 employees for two years and a half, beginning with the 1st of January, 1870.<sup>1</sup>

<sup>1</sup> See the Mass. Labor Report for 1886, pp. 174-176; E. W. Bemis, Ph. D., in the *History of Co operation in the U. S.*, pp. 168-171, who quotes largely from an unpublished paper by Mr. Herbert Putnam,

The arrangements made with the men were of a very generous character: they were principally due to Mr. J. W. Britton, the head of the firm (the chief founder of the Carriage-Builders' National Association and its technical school), who corresponded extensively, in concert with a committee of seven workmen, with John Bright, John Stuart Mill, Thomas Hughes, J. M. Ludlow, and other English authorities on coöperation. The firm assigned to labor 10 per cent. of the gross profits, without first making a deduction for salaries or interest for the partners. Every employee was to receive a share in proportion to his wages unless he quit work before the end of the fiscal year; even if discharged, he was entitled to a share if he had earned wages amounting to \$100. A portion of the profits also went to the support of a relief fund. For the first six months of 1870 the bonus was \$3,600; for the second six months it was \$8,200. An Industrial Association was formed, on the most liberal principles, in order to carry out the coöperative idea. The workmen in each of the seven departments of the business elected a board of control; the chairmen of these seven boards and a representative of the shop at large formed a board of governors, which elected a president of the association (Mr. Britton) from the members of the firm. This board administered all the general internal affairs of the shop, directing each department through its special board of control. It had power to make all rules and regulations, and to hear and investigate complaints. Every resolution or

librarian of the Athenæum Library of Minneapolis, Minn., based upon a letter from Mr. Britton; and the *Carriage Monthly* for September, 1886, containing a sketch of Mr. Britton's life, mainly taken from another trade journal<sup>1</sup>.



measure passed by the board was submitted to the president: if he approved it, he signed it; if not, he returned it to the board, with his objections in writing, or with a verbal statement at the next monthly meeting. If two thirds of all the members voted (each man's vote being recorded) to pass the measure, it became binding. The several boards of control cared for the property in their departments, prevented waste, and settled all minor questions that arose. No power was given the workmen over the management of the business, and the bonus was expressly declared to be a voluntary concession by the firm, not to be recoverable by suit at law. Within thirty days after the close of any fiscal year, the firm could dissolve the association, and a two-thirds vote would have the same effect.

This system "worked smoothly and admirably for two years. The increased interest and activity of the employees, generally noted elsewhere when similar incentives have been offered, were remarked here. Yet at times their sincerity was severely tested. Twice, a sudden lull in the business necessitated a reduction in wages: the necessity was explained to the board of governors, who voted the reduction without a question."<sup>1</sup> The general meeting of the employees also voted to continue the payment of a bonus based upon seniority which the firm had been in the habit of paying, although it benefited but a small minority.

In the spring of 1872 occurred the great strike in the building trades of New York, the demand being for the eight hours working-day. A central committee of trades was established, to which nearly all the large carriage factories sent delegates. At this time

<sup>1</sup> Mr. H. Putnam, on the basis of Mr. Britton's letter to him.



(the latter part of May) Mr. Britton was ill, and the employees of the Brewster firm were led to send delegates also, though the board of governors possessed full power, subject only to the president's veto, to fix the number of hours' work for the full day at their pleasure: if they voted the reduction by a two-thirds vote, the firm was bound to accept it. Now appeared the justification of Mr. Britton's faith in the reasonableness of the men who were naturally chosen to represent the employees on the governing board. Mr. Britton informed them that the reduction of hours would prevent the performance of contracts already undertaken, and would materially injure the business of the firm. Although under great pressure from their fellow-workmen in the shop and out of it, they refused, as a board, to propose the reduction of hours. As individuals, they urged Mr. Britton to make the proposal himself; but he declined to advise them, when called upon in his sick-bed, for or against the passage of an eight-hour rule, thus adhering strictly to the letter and the spirit of the regulations of the association. Threatened with deposition, and even with personal violence, the board of governors stood firm, and refused to vote the reduction. At last a committee of the men waited on Mr. Britton to inform him that unless the firm granted the eight-hour rule, the employees would strike the next day. Mr. Britton, who at this time was the only partner in the city, declared that under no circumstances would he yield to the pressure which the board of governors had withstood. He reminded the men that according to the provision of the constitution any employee withdrawing voluntarily from the establishment would forfeit his bonus for the current year. He warned them that

a strike would destroy the organization, and declared that, although it was the height of the business season and the firm had \$75,000 worth of orders on its books, the firm would bear any loss rather than set aside the regulations made to govern employer and employee alike. But "crazed by the popular turmoil," and regardless of Mr. Britton's warnings, the men struck the following day. They were out two weeks; at least, three quarters of them were. When Mr. Britton recovered, he called them together and declared that no concessions would be made; that if they chose to go to work at the old wages for ten hours a day, they could do so, but the dividend had been forfeited, and would be applied toward making good the losses of the firm.<sup>1</sup> The next day the whole shop resumed work.

Mr. Britton, years later, declared his belief that, had he been physically able to talk with the men at any length when they called upon him, the entire trouble would have been wisely settled at once. "But it was difficult for him to make this clear enough to his partners to secure any renewal of the experiment."<sup>2</sup> Many of the oldest and most intelligent of the employees also believe now, as they did then, that had Mr. Britton been present with the men at the critical period, no strike would have occurred, such was the respect and confidence they felt. As it was, "one of the strangest freaks of epidemic excitement on record" resulted in the loss of a dividend of \$11,000, due within a month, and of \$8,000 in wages.<sup>3</sup>

<sup>1</sup> In 1886 Mr. Britton announced the adoption of a nine hours' day.

<sup>2</sup> Dr. Bemis on the authority of Mr. Britton's letter to Mr. Putnam.

<sup>3</sup> These are the figures in the Mass. Report for 1886. Mr. Putnam puts them as high as \$20,000 and \$27,000 respectively: he makes the duration of the strike one month, instead of two weeks.

The proprietors of the Passaic Agricultural Chemical Works, at Newark, New Jersey, have long been in the habit of dividing between \$2,000 and \$3,000 a year among their men as rewards for faithful service. The employees have never struck, being always on good terms with the firm, some of them having been in its employ forty years, and a large number from fifteen to twenty years. In 1882 the firm tried profit sharing on a system of its own. Ten per cent. on the valuation was reserved by the proprietors from the year's profits. The remainder went as bonus to the employees, divided into four classes, class one being made up of four or five of the principal men who had been employed for many years; class two, of the head bookkeepers, salesmen, head foremen, and the commodore of the firm's boats; class three, of the captains of boats and foremen about the manufactory; class four included all the remaining employees. The bonus was the same to each member of a class, so that some earning relatively low wages received as large a bonus as others getting much higher wages. The total bonus was some \$15,000, individuals drawing as high as \$250 each. While most of the employees were very grateful for what they received, others complained that they had been unfairly dealt with. Among the worst complainers were some who had been most liberally remembered. Certain men who had received \$250 each, "celebrated" by getting drunk and — discharged. Upon the majority of the employees, however, the effect of the bonus was to encourage them, and to incite them to greater diligence in their work during the following year. A man would be heard to say: "I have saved so much waste, next year I shall get so much dividend;" or, "I have accomplished so much extra work, I shall get into a higher class." The dividend to labor could not have been paid in 1883 because of a failure to effect a timely settlement with parties owing the firm a considerable sum. Apart from this fact, the firm did not feel encouraged to continue the experiment.

Some of the most intelligent employees think that it might have been better had a part of the very large bonus of 1882 been held in reserve toward a bonus the next year; and that if this had been done, profit sharing would have been continued indefinitely.<sup>1</sup>

A Chicago firm, manufacturing sheet-metal goods, made a trial of profit sharing for the year 1886. The firm had "pursued the plan for several years with foremen, some employees in the office, salesmen, and others of intelligence in responsible positions, and hoped very much that the extension of the same plan to every employee would be of mutual benefit." Accordingly, early in 1886, they promised to divide a certain portion of the profits for the year among all of the 250 employees who had worked six months, and had conducted themselves well. The firm guaranteed the sum to be divided to be not less than \$10,000, and expected the men to refrain from striking, or any kind of interference in the business. The men received the proposition with pleasure. The bonus divided in the first part of 1887 was \$13,275, a sum equal to nearly  $7\frac{3}{4}$  per cent. on wages, each man's share being from \$38.75 to \$116.25. The firm did not continue the plan on this large scale, as they "regret to say that it failed, apparently because it put on the same level the careless, thoughtless, indifferent workman with the conscientious and intelligent man. . . . We are not prepared to say that it is necessarily a failure under all circumstances, but it failed with us for the reason that a large proportion of our employees have not intelligence enough to comprehend it. . . . We are satisfied that the only true way is to deal with men individually, and not as a mass."

The quarries of the New England Granite Works are situated at Westerly, Rhode Island; the offices are at Hartford, Connecticut. The capital is \$250,000, with an output of twice this amount. The number of employees

<sup>1</sup> This account has been condensed from the Massachusetts Labor Report for 1886, pp. 186, 187.



varies from 350 to 500. Some years ago there was a long strike, when the men, according to the president's account, kept him from hiring other employees until he took legal proceedings against them. But the company's relations with their men had become friendly again, when, in 1886, he introduced profit sharing by a letter to the superintendent, dated January 4, which was printed and circulated among the men. The letter contained the only full code of regulations for a division of profits which has been drawn up and published in this country.<sup>1</sup> There were sixteen articles, to which were added explanatory comments and remarks. The net profits remaining after wages, interest, salaries, insurance, and other expenses had been paid, were to be divided into three parts. One third was to be reserved as a guaranty fund, and the other two thirds were to be divided between labor and capital in the proportion which the whole amount of the year's pay-roll (including only men on wages) bore to the stock. The accounts might be verified by an expert called in by the two parties. Only workmen employed through the year, or those leaving in the course of the year with the consent of the superintendent, should be participators. "The rate of wages, the bill of prices for piece work, and the number of hours to constitute a day's work, shall be determined by mutual agreement, on or before the first day of January in each year, and any disagreement which may arise during the year between the superintendent and workmen in regard to the same shall be settled by arbitration. The rate of wages per diem and the bill of prices for piece work shall not be reduced by the superintendent to affect any contract on hand, or taken upon the rate of wages or bill of prices prevailing at the time such contract was made; neither shall the rate of wages or bill of prices be advanced by the workmen to affect such contracts, and if so advanced the difference in cost by reason thereof may be adjusted in making up the dividends."

<sup>1</sup> It is reproduced in full in the *First Annual Report of the U. S. Commissioner of Labor*, pp. 281-283.



In September, 1886, the president of the company said: "There has been no year since I have been in the business when the men worked so well and took such an interest in the business as they have this year." He is reported in a daily paper of December 31, 1886, to have said: "We had no strikes during the year, and as the men have looked out for one another's work it has generally been done well. As they have an interest in seeing that what is done is done thoroughly, they supervise themselves to a great extent, and there is a saving in that respect. The new plan will be of more advantage to skilled than to unskilled workmen, especially this year; for not long after the arrangement went into effect, the laborers in the quarry heard of an advance in wages of men similarly employed in Maine, and they, too, demanded the same increase. It was granted them, but the advance, under the conditions of the agreement, will be deducted from their surplus at the end of the year. . . . When the profit sharing was first proposed, the men, or at least some of them, did not take kindly to the plan. But they took hold of it well after the start, and, what is more, they liked it, and did their best to carry it through."

No bonus was paid under this scheme. The president writes under date of January 26, 1888: "I am sorry to say that my profit sharing scheme was not a success. The men did not stand by the agreement, but after a few months demanded an increase of wages, which absorbed in cash about \$4,000 more than their share of profits. I found that the agreement had only one party which was in any way bound by its terms, and therefore I had to abandon it, very much to my disappointment." Another version of the matter is to the effect that in January, 1886, the company was under contract to furnish building stone for a large edifice in New York, to be finished at a certain time, under forfeiture of a large sum for every day of failure. In the unsettled condition of labor, the company became alarmed lest the employees might strike, and to obviate any chance of

their doing so, the plan of profit sharing was put into operation. "It was a shrewd device, and completely successful, so far as the contract was concerned ;" but as soon as this was finished and the danger over, the company lost interest in it, and allowed it to go to pieces.

Mr. Lewis H. Williams, builder, of New York City, initiated a system of profit sharing in 1886, and appears, from an account in the *Volkswohl* of Germany (in its New York correspondence), to have made one division, which convinced his workmen of his sincerity, and brought about great zeal on their part. When in December, 1886, the Knights of Labor ordered a strike in the city, Mr. Williams's workmen very emphatically refused to obey the order. Mr. Williams's death in 1887 seems to have put an end to the system : my inquiries of his estate have been fruitless.

The Union Mining Company of Mount Savage, Allegany County, Md., adopted April 8, 1886, the following plan of dividing profits : Whenever a dividend should be declared to the stockholders out of net earnings, a sum equal to 10 per cent. of this amount should be drawn from the same source, to be divided among the wage-receivers of the company. Each man who had served six months was to share in proportion to his earnings. The plan was to take effect from January 1, 1886. Under it, the 300 employees received two dividends, in September, 1886, and in March, 1887, each amounting to \$1,500 ; but the system was abandoned in consequence of a strike, the particulars of which the president has furnished. "I am bound honestly to declare," he writes, "that I do not believe that interest or painstaking in their work has quickened among 5 per cent. of the force." Despite his explanations of the plan, the men seem to have regarded "only the money advantage, without taking in the idea that by their own efforts they could increase it." A strike appeared to be impending in April, 1887. The president called the men together ; corrected a misapprehension on their part that certain new

works, costing some \$40,000, had been built out of profits (no provision had been made for calling in an accountant); pointed out the excellent prospect for a dividend, which they would forfeit by striking; declared that a strike would surely put an end to the profit sharing plan; and appealed to the more independent of the men to organize in support of the company. He offered an increase of 5 per cent. on wages, with the conditional promise of as much more at the end of twelve months. But the men struck (only one standing by the company), and afterwards refused offers of arbitration under three different forms. The strike lasted ten days, and then began to break: but there were troubles again in May and September, which further crippled the operations of the company, and spoiled the best business season that had ever offered itself: the employees themselves lost in wages and dividends between \$6,000 and \$8,000 in ten months. The profit-sharing plan was given up at the first meeting of the directors after the strike; it had been "defeated by the ignorance of a mass of men yielding to the influence of two or three reckless and unprincipled leaders."

A firm of gas-fitters and plumbers in Omaha, Nebraska, introduced profit sharing the 1st of May, 1886. Their men they esteemed as above the average in intelligence, morals, industry and skill: the best of feeling had always prevailed in the establishment. The firm proposed to allow themselves 10 per cent. interest on their capital out of net profits, and to divide the remainder with the employees who had served six months, on the basis of the same percentage to labor and capital, each man to receive such a proportion as his year's wages bore to the whole amount of wages and capital combined. The men accepted the plan with satisfaction, and all went smoothly through the season. When the firm closed its books, February 1, 1887, for the previous year, it found, to its own surprise, that it had over \$1,100 to divide as bonus among 30 men, each of whom received about an extra month's pay for the eight months. "We

were gratified with the result, and expected to continue the scheme, and so announced to the men, believing that our success was largely attributable to the watchfulness, care, and industry of our men." Only three employees took advantage of the firm's offer to let the bonus lie in the business at 10 per cent. interest, and of these, two soon withdrew their money.

"One morning, about the 1st of May, 1887, six of the men (three of whom were members of the Journeymen's Union), without any previous notice, quit work, saying they were instructed to do so by their union, which would not allow them to work in any shop or upon any job where non-union men were employed; and said that our non-union men would not be allowed to work on any job or contract with union plasterers, union brickmasons, union lathers, union painters, union carpenters, etc., and would thus be compelled to leave the city. The balance of the men appealed to us, but it was a matter we considered we had nothing to do with, as we never had discriminated or made any distinction between union or non-union men, and had endeavored to pay them according to their skill and worth, and we wished to leave such questions entirely to their own free will and desires. For a number of days they debated what they should do, before a conclusion was reached, when, for the sake of peace, they finally decided to accede to the demands of the union men and join their organization; but were then refused admission until they paid for the full time of those who had voluntarily quit work. The amount was considerable, more than our men could raise among themselves; and as the union men would not abate any of the amount, we had to pay a large amount out of our own pockets. After this experience we concluded our employees did not properly appreciate our interest and concern for them and their welfare, and we thought best to abandon the profit sharing, and so announced to them. . . . Since then we have had no trouble of any kind with our men."



The Sperry Manufacturing Company, carriage hardware, of Ansonia, Conn., practised profit sharing for the two years 1886-87, but stated that they had realized no perceptible benefit from the plan, and would probably discontinue it. Details are entirely lacking of the method practised, which, the company say, "had a tendency to cause dissatisfaction among the employees."

A large shoe and leather company in Worcester, Mass., informed its numerous employees at the beginning of the year 1867, that every man who should earn \$150 in the next twelve months, and every woman who should earn \$100, would be entitled to a share in 25 per cent. of the net profits. The object of the condition was to secure continuous service. In the next seven years the company paid six dividends, ranging from 2 to 5 per cent. on wages, and aggregating \$37,377.21. In 1869 the participating Crispins in the bottoming room struck, and in a measure deprived the other hands of work for several months, and no dividend was earned. The company, according to the present manager, found that the plan had no good influence on nine out of ten of their employees: they needed as much watching and urging as before. Many were dissatisfied, and charged the company with cheating and falsifying the books. Many who received \$30 to \$40 spent it at once in the drinking saloons. The company, discovering the scheme to be of no benefit to themselves, and of very little to the employees, discontinued it.

A Massachusetts mercantile firm having several hundred employees, experimented with profit sharing for some twenty years, "with several cessations of dividends." They set aside yearly a fixed percentage of the profits, known as "the employees' bonus." This was divided among all grades of employees who had served a certain time, on the basis of salaries. They were not told at any time that a division of profits might be expected, or that the continuation of the practice would depend upon the observance by



them of any conditions. But "a large majority of clerks spend their money faster than they earn it, and after receiving a dividend for a few years, they come to count on it as a regular thing, and are greatly disappointed if they do not receive it. Very few appreciate what is done for them in this way." The firm did not find sufficient return in increased fidelity or efficiency, and they therefore devoted the sum set aside to increasing the salaries of the more capable employees. "The firm," says the Seventeenth Report of the Massachusetts Labor Bureau, "nevertheless believe in the principle of profit sharing, and have on several occasions advised other parties, somewhat differently circumstanced from themselves, to try it ;" but a later expression of opinion from a partner is to the effect that, in mercantile business, "it is better to pay good salaries to those who earn them, and if there is to be profit sharing, let it be offered to the most capable men, but in lieu of salary."

In accordance with the advice of one of the proprietors of the *Boston Herald*, the firm announced to its 300 employees an experimental year of profit sharing on the 1st of January, 1887: the sum to be divided was left undetermined. The scheme was put out in good faith, but, as it proved, under very unfavorable circumstances. The proprietor suggesting the plan retired within a few months, and the chief remaining partner became deeply embarrassed by unfortunate investments in other quarters. The declaration of the bonus earned in 1887 was not made before May of 1888, for this reason presumably. "The good effects expected were lost by delay more than by reducing the rate" below the 5 per cent. originally contemplated. The bonus divided was about \$11,000, amounting to some  $3\frac{1}{2}$  per cent. on wages. The new *Herald* company has not continued the system.

## CHAPTER IX.

### SUMMARY AND ANALYSIS OF EXPERIENCE IN PROFIT SHARING.

#### I. PAST CASES.

BEFORE we proceed to draw from the body of facts, both favorable and unfavorable to the system of profit sharing, which have been presented to the reader, the conclusions they seem to warrant, it will be well to give in tabular form a review of the trials that have been made. I present, therefore, two tables. As we have just been occupied with the instances in which the system has passed into history, it will be most convenient to throw all these into Table No. I. This table contains, then, a full list of business houses, whether now in existence or not, "in which profit sharing has been tried," for a longer or a shorter period, "and is not now in force," whatever may have been the reason for its passing out of effect.<sup>1</sup> I use this phraseology, "is not now in force," as more appropriate than "has been abandoned" or "has failed," since this table includes numerous instances in which the system itself was partially or entirely successful, and passed out of operation for reasons which were quite foreign to its

<sup>1</sup> There is no instance known to me in which the system, having been instituted and then abandoned, has been renewed, though in several cases the plan has had times of practical abeyance, so far as the actual division of profits was concerned, to be succeeded by a more prosperous period.

merits or demerits. Such, for example, are the cases of the Paris and Orleans Railway Co., of Herr Jahnke, and of A. S. Cameron and Co. Without multiplying tables, it has seemed sufficient, at this stage of the history, simply to distinguish between past cases of profit sharing and present cases, throwing the first into one list and the second into another. Table No. I. is thus historical; it is *not* a list of the "failures" of the system. Table No. II., on the other hand, of "cases in which profit sharing is now in operation," is intended to be a conspectus of the system in actual existence. It is *not* a list of pure "successes," for it includes recent cases that are not yet entitled to this name, and others, of longer date, concerning which judgments might well differ. The titles of both tables have been chosen expressly to avoid prejudgment.

Table No. I. gives the dates of the beginning and the ending (definitely or practically) of the trial, in each case; the name of the establishment, with the place and nature of its business; the number of employees when known; the proportion of bonus to profits or sales; the basis on which profits were divided among the employees; the manner in which the bonus was distributed, in cash or otherwise; and, in the last column, brief statements of the causes of the relinquishment of profit sharing, according to the employers, in most cases. These statements need to be compared with the full accounts already given. The arrangement is first geographical, and secondly, under each country, chronological. In the fifth column, giving the basis of division, W. denotes wages, S. seniority, and M. merit: these bases have been sometimes combined. In the sixth column, giving the manner of payment, C. denotes cash payment, A. an annuity or

life pension, and P. a property into the enjoyment of which the employee comes at a fixed age, and which he can transmit to his heirs.

The analysis of the following table will show that not much definite instruction can be gained from it of a practical nature. The first step must be to distinguish in the whole number of cases (thirty-six) those in which profit sharing *succeeded*, according to the testimony of the firm practising it, or of others, whose ability to judge is not wisely disputed. The principle justified itself, and operated successfully in nine cases, — those of the Orleans Railway, M. Bord, the Swiss postal service, Mr. Samuelson, A. S. Cameron and Co., Herr Jahnke, Mr. L. H. Williams, Welshans and McEwan, and the Zurich Steamboat Co. The causes for discontinuance in these cases did not affect either the principle of profit sharing or the leading details of its application. The system put in practice has no power, of course, to do away with the effects of the ordinary contingencies of business. The immense extension of the Orleans Railway system, for example, by the acquirement of unproductive lines, destroyed profits, and made it necessary to fall back upon the government to secure pensions for the employees, who are in no degree responsible for the present deficit. The Swiss post-office department would have continued the system on its own merits.<sup>1</sup> The Bord, Cameron, and Williams experiments were terminated by the death of the employers; those of Messrs. Samuelson and Jahnke, and the Zurich Steamboat Co., by the passage of the business into other hands. That the system, in face of its success, was not continued in these

<sup>1</sup> I am not to be understood as recommending the adoption of such a method in government service.

TABLE NO. I.

CASES IN WHICH PROFIT SHARING HAS BEEN TRIED AND IS NOT NOW IN FORCE.

Dates.	Name of Establishment: Place and nature of business.	No. of Employees.	Proportion of Bonus.	Basis of Division.	Manner of Pay- ment.	Cause of Change.
FRANCE.						
1844-76..	Paris and Orleans Railway Co.	719-15,080	Several times..	W.....C. A.....	Extreme extension of R. R. system.	
1866-88..	A. Bord, pianof. mfr., Paris.	400	changed.	Prop. of wages..	W.....C.....	Death of M. Bord.
1870-87..	Lenoir, painter and decora- tor, Paris.	40: 20 partic.	to interest.	25 p. c.....W.....	C.....	Workmen asked for higher wages instead of bonus.
1880-85..	Gaiffe, elect. apparatus, Paris.			25-35 p. c.....W. M. S. C. ½: P. ¼	Results negative; "cause not even suspected."	
SWITZERLAND.						
1867-77..	Gellinger Frères, calicoes, 90-100 Winterthur.			Indeterminate..	W. S. M..C.....	Small bonus; lack of care; social- ism.
1867-72..	F. Schindler, printer, Mollis.	112		Fixed p. c. not..	Equal ..Savings bank.....	Workmen extravagant.
1869-71..	Baur et Nabholz, builders, Seefeld, near Zurich.	150-200 winter. 400-500 summer.		40 p. c.....	W. M.....	Shares in business..Lack of interest; men intrusive.
1869-72..	Swiss Postal Service bureaux.			Fixed: not..	W.....C.....	Complicated accounts; jealousy of other departments.
1869-75..	Zurich Steamboat Company.	151-206.		5 p. c.....	W.....C.....	Absorbed by N. E. Railway Co.
1872-74..	Keller Frères, cotton spin- ners, Fischenthal, Zurich.	36-40.		Indeterminate..	W.....C. after 12 mos....	"Not the slightest improvement in labor."
1872-77..	H. Reymond, leather mfr., Morges, Canton Vaud.	36-40.		Indeterminate..	M. S.....C.....	No appreciable advantage.
GERMANY.						
1867-77..	H. vom Bruck Söhne, silks, and velvets, Krefeld.	2,600-3,000 looms.		Fixed p. c. not..	Equal ..C.....	No improvement in labor or stability.
1868-72..	W. Borchert, Jr., works, Berlin.	67-130		5 p. c.....	W.....C.....	No increase in zeal or care.



1871-79. Cotton Mills, Kaufbeuern, Bavaria.	650.	10 p. c.	W.	C.	Socialism; bad years.
1875. . . . . A. Kroeber, lumber, Munich.					
1872-74. . . . . Moedel und Kollmar, cigar.	100.		Indeterminate.	W. M. . . . C.	Bad times.
					Men unappreciative and disorderly.
1873. . . . . Thode Paper Works, Hanisberg, near Dresden.					Socialism; jealousies.
1872-74. . . . . A. Niess, carpenter and builder, Brunswick.			Varied.		Results "most melancholy."
1876. . . . . C. Keilpling and Co., cigar.	63.	50 p. c.	Equal shares.		Abortive attempt.
1872-77. . . . . J. Jahnke, agriculture, Breslau.	5.	50 p. c.	Equal shares.	C.	Estate sold.
1870-73. . . . . Berlin-Anhalt Railroad Co.		3 p. c. of profits.	W.	C.	Great increase in wages.
		over 5 p. c. divid.			

## ENGLAND.

1865-74. H. Briggs, Son and Co., collieries, Whitwood, Yorkshire.	1,000-2,000.	50 p. c.	W.	C.	Conflict with trades unions.
1866-74. Fox, Head and Co., iron wks., Middlesborough, Yorkshire.	600.	50 p. c.	W.	C.	"Lack of intelligence."
1875. . . . . J. Samuelson, coconut oil mfr., Liverpool.		10 p. c. on wages.	W.	P.	Mr. Samuelson retired.

## BELGIUM.

1866-70. C. Martin, shipbuilder, Viers.		10 p. c.			System rejected by men.
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## UNITED STATES OF AMERICA.

1867-73. Bay State Shoe and Leather Co., Worcester, Mass.		25 p. c.	W.	C.	Strike in one room; no improvement.
1869-77. A. S. Cameron and Co., steam pump mfrs., New York.		10 p. c.			Death of Mr. Cameron in 1877.
1870-72. Brewster and Co., carriage mfrs., New York.	450.	10 p. c. of gross profits.	W.	C.	Eight-hour strike in 1872.
1882. . . . . Lister Bros., Fertilizer Works, Newark, N. J.		Profits above 10 p. c. divid.	Equal shares.	C.	Results not satisfactory.

TABLE NO. I. (*continued*).

Dates.	Name of Establishment: Place and nature of business.	No. of Employees,	Proportion of Bonus.	Basis of Division.	Manner of Pay- ment,	Cause of Change.
UNITED STATES OF AMERICA ( <i>continued</i> ).						
1886.....	Norton Bros., mfrs. sheet-metal goods, Chicago, Ill.		Fixed p. c. not published.	W.....C.....		"Force not intelligent enough."
1886.....	N. E. Granite Works, West- erly, R. I.	350-500	Pay-roll and capital.	W.....		Advance in wages.
1886.....	L. H. Williams, builder, New- York, N. Y.					Mr. Williams died in 1887.
1886-87..	Union (Coal) Mining Co., Mt. Savage, Md.	300.	10 p. c. of div- idend.	W.....C.....		No improvement; strike.
1886-87..	Welshaus and McEwan, plumbers, Omaha, Neb.	30.	Equal div. to la- bor and capital.	W.....C.....		Trouble with Journeymen's Union.
1886-88..	Sperry Mfg. Co., carriage hardware, Ansonia, Conn.					"No perceptible benefit."
1887-88..	Boston Herald, Boston.	300.	Indeterminate.	W.....C.....		Change in firm.

six cases, is unfavorable evidence of small value, when we consider the importance of the "personal equation" in making a change from the accepted wages system. Few persons can be expected, in this stage of its history, to adopt profit sharing from their predecessors in business, and become social pioneers through compulsion of circumstances. We cannot blame the system in such cases as that of Welshans and McEwan; nor can we wonder at the feelings which caused the firm to give up their experiment, illogical though the step may have been, so far as profit sharing was concerned.

If we now pass to the remaining cases, it can hardly be safe to suppose, so far as the evidence goes, that race or country has much to do with lack of success in the application of this new labor system. France, indeed, shows only two instances of failure (MM. Lenoir and Gaiffe), but these are pronounced failures, after years of trial, by the side of more numerous and emphatic instances of great success than any other country can show. The five cases of abandonment of profit sharing in Switzerland (Geilinger Frères, F. Schindler, Baur et Nabholz, Keller Frères, and H. Reymond), and the six cases<sup>1</sup> in Germany (H. vom Bruck Söhne, W. Borchert, Jr., Kaufbeuern Cotton Mills, Moekel und Kollmar, Thode Paper Works, and A. Niess), are plainly insufficient, if we remember the much more numerous instances of success, to prove that Swiss or German climate or blood is in any considerable degree responsible. England presents two conspicuous instances of abandonment of participation, after eight and nine years of trial (H. Briggs, Son and Co., and Fox, Head and Co.): as these came

<sup>1</sup> A Kroeber is not counted, as he gave up on account of bad times; nor C. Keilpflug und Co., as their experiment was abortive.

early in the history of industrial partnership, they had a great effect in discouraging further trials, which are only recently beginning to be made. English conservatism may be responsible for a part of the hesitation in embracing the new system; but the inauspicious record of the first two trials is a more palpable cause. The most important case of abandonment in the United States (Brewster and Co.), after a much shorter experience ( $2\frac{1}{2}$  years), retarded the progress of the new method for a dozen years. The later instances, in which profit sharing has received a brief trial of a year and has then been thrown up, illustrate chiefly American haste for results. We may say with some confidence that the American mind has a French accessibility to new ideas, and that America is likely to rival France in the trial of a more democratic method in industry than the existing system. Thus far, however, the record of profit sharing schemes relinquished after one year's trial (Lister Bros., Norton Bros., N. E. Granite Works, Union Mining Co., Welshans and McEwan, the "Boston Herald," and others) contrasts unfavorably with the patience of the firms in France, Germany, Switzerland, and England that have abandoned the plan, to say nothing of those that have succeeded after years of more or less doubt and discouragement. The two cases of longer trial in the United States, Brewster and Co. and the Bay State Shoe and Leather Co., lasted two and a half and six years respectively.

If we put aside all other considerations, and compare the successful with the unsuccessful cases of participation, the one broad fact appears that few of the latter compare with the former in the number of years of trial. Outside of England and the United States, the

cases of abandonment after a trial of five years or less are ten out of the fourteen noted. The other four are H. vom Bruck Söhne, Geilinger Frères, Kaufbeuern Mills, and M. Lenoir, the latter running up to seventeen years. This one point of the length of trial should not, indeed, be pressed. The three experiments out of the above ten which continued for five years (MM. Gaiffe, Schindler, and Reymond) may well be supposed to have lasted long enough for a sufficient trial of participation under the special conditions of the case. In a third instance (W. Borchert, Jr.) the same may be said of the four years' test: a fourth trial (C. Martin), of the same length, was entirely satisfactory to the employer, participation being rejected by the men. But in cases where profit sharing was on trial for two years only (MM. Baur, Keller, Moekel und Kollmar, and five American instances), there is no reason for calling the trial a thorough one.

The influence of labor organizations, or of socialistic agitation upon attempts at profit sharing, is distinctly traceable. It is a palpable inference from the record that the comparatively modest scheme of participation in simple profits stands little chance of impressing workmen favorably when their minds are filled with ideas of a universal division, or a common enjoyment of property, under the name of Socialism. Such in Germany and Switzerland, in years of active socialistic propagandism, was the experience of Messrs. Baur and Nabholz, Moekel and Kollmar, C. Keilpflug, the Thode Paper Mills, and the variable Herr Niess, who tried three several plans of dividing profits with Brunswick socialists in three years, with "most melancholy results." No moderate reforms could prosper in such an atmosphere. In England, the Messrs.



Briggs, and Fox, Head and Co., unwisely endeavored to rival the long-established trades unions in the affections of their men, with a result that might have been foreseen. In the United States, the trades unions seem to have had but an indirect influence upon the case of Welshans and McEwan, where no special hostility was visible on either side; but there was an exorbitant assertion of power by the union, which occasioned the abandonment of a successful trial of profit sharing. A Pittsburg district assembly, on the other hand, passed resolutions of congratulation on an experiment still in progress in that city, and the remarkable action of a Detroit assembly has been related in our seventh chapter.

Looking at Table No. I. to discover what its teaching may be respecting the comparative applicability of the method of participation to various industries, the positive results of the examination are again small. We find that it worked well in these industries, which are not recorded in Table No. II.: the postal service, the manufacture of steam-pumping machinery, and the building of ships and carriages (the Swiss postal department, the Cameron, Martin, and Brewster cases).<sup>1</sup> In these industries, not enumerated in Table No. II., it was given up: the manufactures of silks and velvets, cigars,<sup>2</sup> sheet metal, electrical apparatus, leather, and chemical fertilizers, and the quarrying of granite. The first of these is a hazardous business, where the labor of the employee has little influence, comparatively, upon the sale of the product.<sup>3</sup> In all

<sup>1</sup> There was no doubt in the Brewster case of the good effects of the system.

<sup>2</sup> Compare with this case the accounts of Raulino and Co., and the Globe Tobacco Company, on pp. 211 and 323.

<sup>3</sup> The method in this case was very imperfect.

but one of the other industries the importance of good labor is hardly to be esteemed less than in other industries in which profit sharing has shown excellent results. The sheet-metal business of Norton Bros., of Chicago, demands as much intelligence as do other varieties of metal-working, of which there are several instances in Table No. II. The manufacture of electrical apparatus (M. Gaiffe) requires labor of a high grade; and in the making of cigars, in the fertilizer business, and in granite quarrying, the average of intelligence among workmen as a whole is reached. In the leather manufacture (H. Reymond), the level of intelligence and skill does not need to be high, and for the great majority of the men employed in tanneries it is probably quite low. I am acquainted with another instance, however, in this line of business (beside the Coulommiers tannery, in Table No. II., of twenty-one years' standing) in which profit sharing was a success so long as it could be practised: so that here, as in the cases next to be considered, the testimony as to the applicability of the system is conflicting.

Cases repaying closer examination are those of M. Lenoir, painter and decorator; Geilinger Frères, calicoes; F. Schindler, printer; Keller Frères, and the Kaufbeuern Mills, cotton-spinners; W. Borchert, Jr., brass founder; the Thode Paper Works; Fox, Head and Co., iron works; the Mt. Savage colliery; and Baur and Nabholz, builders. In all but three of these industries there are numerous instances of the long and successful operation of profit sharing. In these three occupations, moreover, the number of successes, though small, is apparently sufficient to show that the nature of the business is not probably the

chief cause of lack of success elsewhere. The two years' unsuccessful experiment of Baur and Nabholz, with an extremely changeable set of employees, is more than matched by the four years' success of the old Lecœur house of Paris, which has a much more stable body of workers; and the moral result reached by the Swiss firm contrasts with the abstinence of Mr. L. H. Williams's men from labor agitation, and the excellent feeling between F. Curtis and Co., of London, and their employees. Herr Borchert gave profit sharing a fair trial in his brass-works at Berlin: only a partisan would complain because he adopted the group system in its place, and successfully continued this for seventeen years. It should be borne in mind here, however, that the results in production achieved under profit sharing determined the rates of payment for work under the present system, which thus owes a debt to participation as one of the factors in its success. The successful experience, thus far, of the N. O. Nelson Mfg. Co. (3 years), and of Haines, Jones and Cadbury (2 years) in the same industry, is evidence on the other side as to the applicability of the profit sharing plan to this particular industry. In the third industry, the seven years' experience of the Geilinger Frères (calico manufacturers) is more than met by the successful trial of the system by M. Besselièvre for twelve years in the same business.

The unfavorable experience of the Kaufbeuern Mills (8 years) and the Keller Frères (2 years) in the general cotton industry finds confronting it a very considerable body of favorable testimony in the cases of Schaeffer, Lalance and Co. (15 years), Steinheil, Dieterlen and Co. (42 years), Schœller and Lang (22 years), Chessex and Hæssly (21 years), and M.

Fauquet (Oissel mill, 14 years). The details of the schemes adopted by these cotton manufacturers may have had some influence upon the result, apart from the special conditions of time and place; but the line of separation between the general method of a determinate bonus and that of an indeterminate bonus is plainly not the line of division between success and failure. Geilinger Frères gave an indeterminate sum; M. Besselièvre follows the same plan. Keller Frères practised this method, while the Kaufbeuern Mills divided 10 per cent. Schœller and Lang, Steinheil, Dieterlen and Co., and Chessex and Hoessly, also give a fixed percentage to labor; while with equal success Schaeffer, Lalance and Co., and M. Fauquet, leave the bonus indeterminate. Thus neither the nature of the business nor the method of making the bonus seems to account for the failure of the plan to produce the desired results in three cases in the cotton industry, and for its success in six other cases.

The ill-fortune of the Thode Paper Works (number of years of trial not known, but probably not more than 3) has little weight as testimony concerning the fitness of participation in the manufacture of paper, when we contrast it with the experience of the Angoulême Works (46 years), the Schlögmühl Works (20 years), Georg Adler (20 years), and Abadie and Co. (17 years). In the printing business F. Schindler's curious experience (5 years) with his extravagant employees (for whom he had philanthropically built a printing house) is still less decisive as concerns the relation of the nature of the industry to profit sharing, in the face of the favorable experience of Messrs. P. Dupont (31 years), H. Brière (23 years), A. Chaix (17 years), Cassell and Co. (11 years), Gounouilhou (5 years), A. Mame and G. Masson (15 years each).



The case of M. Lenoir, house-painter and decorator, who, in M. Leclaire's line of business and at his instigation, established participation in 1870, and then discontinued it in 1887, is evidently an instance of importance, and I have given in detail all the accessible information concerning it. Here it need only be remarked that the determining cause of the abandonment of the system after 17 years' operation appears to have been the opposition of the workmen, which came in to reinforce strongly the well known antipathy of M. Lenoir *fil's* to participation. This instance, which must be regarded, without doubt, as a plain case of the failure of profit sharing, after a long trial, to convince the junior employer and three fifths of the employees of its value, does not at all show that the business by its very nature forbids just hope of success for participation. On the contrary, the Maison Leclaire in the same line is allowed by the severest critics to have demonstrated the especial fitness of participation to this industry, a fitness to which the briefer experiences of the London Decorators' Coöperative Association (6 years), and of M. Saunier of Paris (4 years), also testify. This fitness is the point under consideration in this place. M. Lenoir attributes the action of the workmen to the failure of the bonus in 1884. It would seem, however, as if the interval of two years and a half must have weakened the ill effect of a year of no bonus, and that the thrifty participants, foreseeing the altogether probable relinquishment of the system by M. Lenoir *fil's* in a few years, wished to make a good bargain betimes: but their expectation was disappointed; the firm surrendered participation, but retained the existing rate of wages.

The Lenoir case emphasizes, however, two important



facts which have no special relation to any particular industry. The first is, that profit sharing, as a change in business methods which has not yet become common enough to have passed the stage in which employers who practise it must be pioneers, and to make a success of it must in most cases possess the virtues of the pioneer, is subject in a high degree to contingencies of a purely personal character. For example, M. Lenoir, the father, is converted by the arguments and the 28 years' successful experience of M. Leclaire, his fellow-employer, and introduces profit sharing into his own smaller business in 1870, being the sole head. He finds the plan an excellent one in thirteen years' trial, and is not troubled by strikes as he was before 1870. But his son, who has grown up in this peaceful time, sides with the great majority of employers in the business against participation. The facts which convince the father fail to convince the son. Obviously, no generalization here on the employers' side is safe beyond the very broad one that the "personal equation" is very important in this matter of introducing or continuing profit sharing. The second fact is, that even intelligent workmen will make mistakes as to their own interest in the matter. The Lenoir house had given ample proof of its goodwill, and the workmen, in proposing a return to the old system and asking an increase of wages, did their best to discourage the elder partner, and to encourage the younger: the result proved their short-sightedness. That such mistakes should be made is natural in the present unsatisfactory condition of popular education, which leaves workingpeople to pick up by chance, if they acquire them at all, the most elementary notions of social right and economic laws, long after they have

left school. Had they been educated in M. Chaix's upper classes, M. Lenoir's workmen would not probably have bitten off their own noses with so much decision !

The importance of intelligence among the employees of a profit sharing establishment is very obvious. The scheme is a new one, and, like every new idea which bears directly on practice, it must win its way, if it is to do so at all, from the more intelligent to the less intelligent workmen : the same assertion may be made concerning the masters as well. The prejudices and the bigotries of both classes stand in the way of a thorough and fair trial of the system in most cases. There is need of a more enlightened mind, a clearer judgment, and a better temper among employees and employers alike, before profit sharing can receive the full and judicial appreciation by experience to which its manifest importance entitles it. It would be highly irrational to expect at present from many masters and many workingmen the knowledge, the judgment, and the fairness of mind and spirit, necessary to a complete ascertainment of the actual advantages and limitations of profit sharing. It is one of the prime needs of the existing situation that the system shall first be attempted by a few for their own education and the instruction of the great majority, who wait upon the experience of the more venturesome minority. The educating force of profit sharing, in bringing both the parties to labor contracts to a better sense of their rights and duties, is one of the chief arguments put forth by its friends. That this force has been effectual, in many instances, in producing or increasing kindly relations between employer and employee, this work has already shown. That the influence should fail, in a considerable number of cases, might be ex-

pected from the great diversity of circumstances under which the plan has been tested.

In a number of trials of a new plan there will probably be mistakes made in the details which will render unfair an adverse judgment based solely upon these instances, if one decides upon the fitness of the plan for a special industry. Still more precarious will be a judgment so based against the general applicability of the system to a large variety of industries. The method of profit sharing put into effect by the Lister Brothers, for example, must be pronounced very imperfect, if the main object be kept in mind. The division of employees into four classes, in each of which the bonus was the same to individual members without regard to length of service or ability as measured by wages, is a measure in flat opposition to the educating and stimulating force of a distribution based upon conditions of length of employment, character of work, and amount of wages earned. The one bonus divided was very large, and the workmen before quoted held that it would have been better to reserve a part of it for the second year. The method should have been thoroughly modified for a second year's trial. The case is one in which the characteristic logic of profit sharing found no room for development under the plan adopted.

The system in which the firm of H. vom Bruck Söhne, of Krefeld, persevered for ten years, must be judged to be much more defective, if comparison be made with the methods of the houses with whom profit sharing has succeeded. The stimulus natural to the plan was taken from it by the facts that the workmen were not informed that a bonus was to be divided according to a fixed percentage, or that there was any agreement among the members of the firm upon the

plan. The dividend was not upon wages, but in equal shares, thus disregarding distinctions of ability and conduct ; and it was paid quite late. Two other features of this case, the extremely variable nature of the market for silks and velvets, and the general prevalence of piece work, already stimulating the employees to a high degree, are of importance, and I shall recur to them in specifying some of the limitations of profit sharing. The influence of these two factors was shown in the very small bonuses actually paid. The slender bonus emphasized the imperfections of the scheme adopted ; both naturally tended to a conspicuous absence of moral and material results. The firm, in consequence of these shortcomings, avoidable and unavoidable, pronounced profit sharing a "luxury" fit only for prosperous manufacturers. In this adverse judgment, which does not appear justifiable, they differ noticeably from the larger number of firms that have tried the system and given it up.

For it is one of the most remarkable features of the whole matter that such employers have generally expressed themselves, in the full light of their own experience, as satisfied, not only that the system is good and sound, but that in time it would also succeed in their own lines of business. Such in brief is the testimony, for instance, of M. Lenoir, and the Messrs. Briggs, Fox, Head and Co., and Brewster and Co. Some will attribute this fact largely to the reluctance of men to own themselves mistaken in an affair of so much moment. But an easier explanation is, that these firms distinguished between the actual effect of the system itself in their own experience, and the adverse influence of circumstances not logically connected with profit sharing, which might reasonably be



expected to diminish in time. Such was the case with the Messrs. Briggs, and Fox, Head and Co., in their contentions with the trades unions. I must agree, however, with Dr. Frommer that in both these instances the employees made a wise choice when compelled, as practically they were compelled, to decide between an organization of long standing, which had been the means of raising their wages and improving their condition generally, and an institution which their employers had established much more recently, which depended entirely upon the employers for its continuance, and which these had very unwisely used as an instrument wherewith to fight their own old enemies, the trades unions. If these two firms had avoided every appearance of indirect warfare upon these organizations, they would probably have attached their men more firmly to themselves, and gradually have rendered profit sharing so strong that the influence of the trades unions would have counted for much less against it. But, in fact, the trades unions have not set themselves directly against the new system. The blunder has been on the side of the employers, who should have treated the trades unions as non-existent, in making their regulations for profit sharing, and outside of these regulations should have carefully avoided all cause of collision. The mistakes in the application of a novel system made by employers who are pioneers are natural; and the declaration made by such firms of the excellence and the feasibility of the system itself is the only confession of such natural errors that could be expected.

The percentage of cases in which profit sharing has been fully and fairly tried long enough to produce some of its probable educational effects, and has then



failed, is small : such is the main result of our consideration of Table No. I.

## II. PRESENT CASES.

Table No. II. gives a list of cases in which profit sharing is now in operation, so far as is known. In a few instances where information is difficult of attainment, the system may have been abandoned since the date of the most recent account given by European authorities. On the other hand, the enumeration is undoubtedly imperfect. The latest list drawn up by the Participation Society names nineteen cases of profit sharing in France, and two in Germany, here omitted because no particulars are accessible. A number of instances are known to exist in this country in which the firm does not desire to publish any facts until its trial of the system has been longer and more thorough than at present. In the way of addition and in the way of subtraction, this list will demand yearly revision.

The table is divided on a line which it was not necessary to observe in Table No. I. The first division includes establishments practising the more developed form of profit sharing, in which the proportion of profits to be divided among the employees is determined in advance. In a few cases indicated, this percentage, though definitely predetermined by the firm, is not made known, for business reasons. The second division embraces the smaller number of houses practising the less developed system under which the bonus is not predetermined, in its proportion to profits, or wages, or capital. Practically, in the majority of these cases, there is a certain average to which the firm adheres. The tabular details are of the same general

character as in Table No. I., the date being that of the beginning of the system, and the remarks in the last column indicating such features as a reserve fund, or a committee of consultation. The arrangement by countries will show the relative diffusion of profit sharing at home and abroad; the chronological order under each country will mark the rate at which it has advanced since its introduction by M. Leclaire.

The facts which are briefly summarized in Table No. II. are now to be examined, that we may draw from them the general conclusions which they appear to warrant. Taking up this table, we find it to be a conspectus of a body of experience, which from its length and its wide diffusion deserves at least the respectful and careful attention of all students of labor questions. It reports the existence of the scheme of profit sharing in over 135 cases, on the continent of Europe, in Great Britain, and in the United States of America. From these instances, where the system has been in more or less successful operation for periods varying from one year to forty-seven years, it is evident at the first glance that the method is neither impossible nor impracticable. A system under which more than a hundred prosperous firms, at home and abroad, are now employing tens of thousands of workmen, in establishments which vary in size from small to immense, and cover a wide range of industries, has plainly earned a right to be. In examining this very considerable economic phenomenon, I shall at once absolve my readers and myself from wasting space or time upon those persons who are still able to declare profit sharing to be "utopian," "impracticable," and "impossible." Our thoughts will be more wisely directed to an attentive consideration of the actual facts

TABLE NO. II.

## CASES IN WHICH PROFIT SHARING IS NOW IN OPERATION.

*First Division: Determinate Bonus.*

Date.	Name of Establishment: Place and nature of business.	No. of Employees.	Proportion of Bonus.	Basis of Division.	Manner of Pay- ment.	Remarks.
FRANCE.						
1842.	Leclaire, painter and dec. (Relouly et Cie.), Paris.	716.	75 p. c. (incl. share M. A. S.)	W.	C. $\frac{1}{2}$ ;	Reserve; M. A. Soc. is partner; com- mittee.
1843.	Larache-Joubert ( <i>Puppeterie</i> ), <i>Côopérative</i> , Angoulême.	1000.	5 to 35 p. c.	W. M. S. C.	W. M. S. C.	Over one third of stock owned by employees.
1846.	Cohin et Cie., linen mfrs., Paris.		10 p. c. net profits.			
1848.	Deberny et Cie., type-found- ers, Paris.	150.	Equal div. on labor and cap.	W. S.	A.	Pension Fund shares losses; com- mittee.
1848.	Paul Dupont, printer, Paris.	1500.	10 p. c.	A.		
1850.	<i>Assurances Générales</i> (Cie. d'), insurance, Paris.	250.	5 p. c.	W. P.	P.	
1854.	<i>L'Union</i> (Insurance Co.), Paris.		5 p. c.	W.	C. $\frac{1}{2}$ ; A. $\frac{1}{2}$	One half of premium taken from cash distribution.
1855.	<i>La Nationale</i> (Insurance Co.), Paris.		23 p. c. of div. 10 p. c. of sal.	W. W.	C. P.	Paid on retirement.
1858.	<i>La France</i> (Insurance Co.), Paris.		4 p. c.	W. S.	P.	
1863.	Bourraiff, gas-fitter, Paris.		25 p. c.	W.	C.	Group system.
1865.	Suez Canal Co., Paris.		2 p. c.	W.	A.	
1866.	H. Briere et Fils, Rouen. <i>Journal</i> .		10 p. c. on earnings.	W.		Pensions in addition.
1867.	Dorgé et Fils ( <i>La Provi- dence</i> tannery), Coulommiers.	120.	Equal div. on labor and cap.	W.	C.	Participant a loss-sharing share- holder.
1872.	Barbas, Tassart et Balas, roof- ers and plumbers, Paris.	125.	5 p. c.	W.	C. $\frac{1}{2}$ ; P. $\frac{1}{2}$	Committee.
1872.	A. Chaix, printer and pub- lisher, Paris.	1050.	15 p. c.	W. S.	C. $\frac{1}{3}$ ; P. $\frac{2}{3}$	Committee.

1872.....	L. Gasté (now Garandé), lithographer, Paris.	25-30.	33 p. c.	W	P	Committee.
1872.....	A. Godechaux et Cie., printers and publishers, Paris.	50.	5 p. c.	W	C. $\frac{1}{2}$ ; A. $\frac{1}{3}$	
1872.....	<i>L'Aigle, Le Soleil</i> , insurance companies, Paris.		3 p. c.	W. S.	P.	
1873.....	H. Fourniol, furniture manufacturer, Paris.	100.	Half the divid. on capital.	W	P.	Committee.
1874.....	A. Manet et Fils, printers and publishers, Tours.	1000.	.003 on sales; .025 in bindery.	W	C. $\frac{1}{3}$ ; P. $\frac{2}{3}$	
1874.....	G. Masson, publisher and bookseller, Paris.	19.	.003 on sales.	W	C. $\frac{1}{3}$ ; P. $\frac{2}{3}$	
1875.....	<i>L'Éclair</i> (Insurance Co.), Paris.		4 p. c.	W	P.	
1875.....	<i>Comptoir d'Escompte</i> (Discount Bank), Rouen.	24-27.	5 p. c. }	W. S.	M.	
1877.....	<i>Compagnie Générale Transatlantique</i> (steamers).		2 p. c.	W	C.	General and special premiums.
1877.....	<i>Veuve Gollin et Cie.</i> , iron wares, Guise.	793 participants.	50 p. c. div.	W	S.	Becoming a coöperative establishment; committee.
1879.....	Butner - Thierry, lithographer, Paris.	27.	1 p. c. gross profits.	W	C. $\frac{1}{3}$ ; P. $\frac{2}{3}$	
1880.....	<i>Dépôts et Comptes Courant</i> (Soc. de), deposit company, Paris.	200.	2 p. c.	W. M.	P.	
1880.....	Château-Montrose, vineyard, St. Estèphe, Médoc.		5 p. c.	W	P.	
1880.....	Société du Finistère, linen, Lanterneau.		10 p. c. net profits.			8 p. c. to employés; 2 p. c. to workmen.
1881.....	Caillotte, mason, Paris.	200-250.	5-15 p. c.	W	C.	
1882.....	P. Montier, mfr. hardware, Paris.	90.	25 p. c.	W	C. P.	
1883.....	Fives-Lille ( <i>Cie. de</i> ), machine-ists, Fives and Givors.	2500-3000.	8 p. c.	W	P	2 p. c. also in aid and prizes.
1884.....	G. Goumoullou, newspaper printer, Bordeaux.	243.	15 p. c.	W. S.	C. $\frac{1}{3}$ ; P.	Committee.
1885.....	Maison Lecoœur, carpenters and joiners, Paris.	400.	10 p. c.	W	C. $\frac{1}{3}$ ; A. $\frac{1}{3}$	<i>Noyau</i> ; committee.

TABLE NO. II. (continued).

Date.	Name of Establishment: Place and nature of business.	No. of Employees.	Proportion of Bonus.	Basis of Division.	Manner of Pay- ment.	Remarks.
FRANCE (continued).						
1885.	Mozet et Delalande, masons, Paris.	40 ( <i>noyau</i> )	10 p. c.	W.	C. $\frac{1}{2}$ ; A. $\frac{1}{2}$	Committee.
1885.	Ph. Roux et Cie., agents of Tangyes, Paris.	20	1 p. c. on sales.	W.	C. $\frac{1}{3}$ ; P. $\frac{1}{3}$ ; A. $\frac{1}{3}$	
1885.	Saunier, painter and decorator, Paris.	50	20 p. c.	Equal shares.	A.	General and special participation.
1886.	Ph. Monduit fils, roofer and plumber, Paris.		10 p. c.	W.	C. $\frac{1}{2}$ ; A. $\frac{1}{2}$	
1887.	Thullier Frères, roofers and plumbers, Paris.	15 ( <i>noyau</i> )	10 p. c.	W.		
1887.	Montorier Printing House, Paris.	20 participants	10 p. c.	W. S.	C. $\frac{1}{2}$ ; P. $\frac{1}{2}$	Committee; <i>noyau</i> of 20 to 25.
SWITZERLAND.						
1867.	Schoeller et Lang, cotton-spinners, Schaffhausen.	300.	10 p. c.	A.		Sick fund and presents.
1868.	Chessex et Hoessly, cotton-spinners, Schaffhausen.	150.	Fixed p. c., not published.	W. S.	P.	Bonus averages 5 p. c. on wages.
1869.	Manufacture de Poteries, Nyon.	40.		W.	C.	Bonus 30 centimes on each 1000 fr. product for each 100 fr. wages.
1871.	Billon et Isaac, music-boxes, Geneva.	67.	50 p. c.	W.	C. $\frac{1}{2}$	One half in shares.
1876.	<i>Tramways Suisses</i> ( <i>Cie. des</i> ), horse-railroad, Geneva.		Percentage $\frac{1}{2}$ to $\frac{1}{4}$ on receipts.		C.	For drivers and conductors.
1878.	E. Schoetti, match and candle factory, Fehraltorf.		50 p. c.	W.	C. $\frac{1}{3}$ ; P. $\frac{1}{3}$ ; A. $\frac{1}{3}$	
GERMANY AND AUSTRIA-HUNGARY.						
1847.	Steinheil, Dieterlen et Cie., cott.-spin., Rothau, Alsace.	600.	10 p. c.		C. $\frac{2}{3}$ ; A.	Bonus supports aid fund, etc.
1847.	J. H. v. Thünen, agriculture, Tellow, Mecklenb.-Schwer.	22.	11 p. c.	P.		One half of one per cent. to each person.



1854. .... J. Neumann, agriculture, Po- seguick, Prussia.	..... 8 p. c.	..... C. $\frac{2}{3}$ ; P. $\frac{1}{3}$	..... Equal shares as a rule.
1866. .... Dr. Morgenstern, tin - foil, ... 19.	..... 10 p. c.	..... W. S.	..... C. $\frac{20}{100}$ to aid fund; $\frac{1}{10}$ aid and prizes.
1866. .... Louis von Hesse Railroad Co.	..... 1 $\frac{1}{2}$ p. c.	..... W.	..... C.
1869. .... Isede Foundry, Gross Isede... 639.	..... Same dividend	..... Savings	..... P.
1872. .... Scheurer-Kestner, chemicals, 350	..... 10 p. c.	..... W. S.	..... P.
1872. .... Windhoff, Deeters und Co., ... 300.	..... 10 p. c.	..... Equal	..... C.
1872. .... Braun und Bloem, caps and ... 130.	..... Percentage on	..... W.	..... C.
1873. .... Kaiserslautern iron foundry, ... 260.	..... 10 p. c.	..... C.	..... Bonus to employees; aid fund for workmen.
1874. .... Möller, iron foundry, Kupfer- hammer, Prussia.	..... Same divid. on	..... Savings	..... cap. and sav.
1875. .... Boden-Kredit-Aktien Bank, ... 60	..... Same divid. as	..... W.	..... P.
1881. .... Franco-Hungarian Insurance	..... 4 p. c.	..... W.	..... C.
1886. .... Saxon-Bohemian Steamboat	..... 3 p. c.	..... W.	..... C.
1873. .... Cassell and Co., publishers, ... 1000	..... 5 p. c.	..... W.	..... P.
1883. .... Decorators' Coöperative As- sociation, London.	..... 55 p. c.	..... W.	..... C.
1884. .... Blundell, Spence and Co., ... 330 partic.	..... 25 p. c.	..... W. M.	..... C.
1886. .... W. Thomson and Sons,	..... 33 $\frac{1}{2}$ p. c.	..... W.	..... Shares.
1887. .... Waterman and Co., boot and	..... Same divid. to	..... W.	..... C.
1888. .... F. Curtis and Co., builders, ... 150.	..... 33 $\frac{1}{2}$ p. c.	..... W.	..... Committee.
1888. .... T. Bushill and Sons, mfg., ... 130.	.....	..... W.	..... C.
stationers, Coventry.	.....	.....	..... 50 p. c. profits over "Reserve limit."

## GREAT BRITAIN.

TABLE NO. II. (continued).

Date.	Name of Establishment : Place and nature of business.	No. of Employees.	Proportion of Bonus.	Basis of Division.	Manner of Pay- ment.	Remarks.
OTHER EUROPEAN COUNTRIES.						
1870.....	H. Väringsaasen, iron foundry, Andals Brug, Norway.	60.	50 p. c.	W.....	C.....	
1872.....	<i>Le Lloyd's</i> <i>Liedje</i> , insurance, Antwerp, Belgium.		5 p. c.	W.....	P.....	
1873.....	Baron Zytphen-Adeler, agriculture, Dragsholm, Den'k.	100.	50 p. c.	W. M.....	C. $\frac{2}{3}$	Savings bank one third.
1873.....	Rossi Woollen Mills, Schio, Italy.	5000.	5 p. c.			Bonus goes to various institutions.
1880.....	Van Marken, yeast and spirit works, Delft, Holland.	170.	10 p. c.	W.....	A.....	
1883.....	Stearic Candle Mfg., Gouda, Holland.	500.	10 p. c.	W. S.....	P.....	
UNITED STATES OF AMERICA.						
1878.....	Peace Dale (R. I.) Mfg. Co., woolens.	450.	One half net profit.	W.....	C.....	No salaries for management.
1880.....	<i>Stants-Zeitung</i> , New York.	139.	10 p. c.	on.. W.....	C.....	wages.
1881.....	<i>The Century</i> Co., publishers, New York.		Divid. on cert. part of stock.	W.....	C.....	
1882.....	Pillsbury Flour Mills, Minneapolis, Minn.	400.	Fixed p. c., not published.	W.....	C.....	
1886.....	N. O. Nelson Mfg. Co., brass goods, St. Louis, Mo.	250.	Equal divid. to labor and cap.	W.....	C.....	Bonus may be left in business.
1886.....	Rogers, Peet and Co., clothiers, New York, N. Y.	275.	Fixed p. c., not published.	W.....	C.....	
1886.....	Ara Cushman Co., boot and shoe mfrs., Auburn, Me.	650.	Proportion of wages to sales.	W.....	C.....	Committee.
1886.....	Wardwell Needle Co., Village, N. H.	16-20.	50 p. c.	W.....	C.....	

1886. ....	W. E. Fette, agent for gas-works, Boston, Mass.	Fixed p. c. of dividend.	W. ....	C. ....	Bonus same p. c. as dividend.
1886. ....	Hofmann and Billings Co., brass goods, Milwaukee.	Equal div. on.	W. ....	C. ....	
1886. ....	E. R. Hull and Co., cloth-iers, Cleveland, O.	wag. and cap. of profits.	p. c. W. ....	C. ....	Bonus increases with sales.
1886. ....	Globe Tobacco Co., Detroit, Mich.	1 p. c. on sales.	W. ....	C. ....	Quarterly dividend.
1887. ....	Springfield (Mass.) Foundry Co.	Fixed p. c., not published.	not. W. ....		
1887. ....	Rice and Griffin Mfg. Co., mouldings, Worcester.	Prop. of pay- roll to cap.	W. ....	C. ....	
1887. ....	Norriton Woolen Mills, Norristown, Penn.	5 p. c. on wages.	W. ....	C. ....	
1887. ....	Haines, Jones and Cadbury, brass goods, Philadelphia.	Equal divid. to labor and cap.	W. ....	C. ....	
1887. ....	St. Louis (Mo.) Shovel Co.	Earnings on 10.	W. ....	C. ....	Committee.
1887. ....	S. Crump Label Co., Montclair, N. J.	p. c. of capital.	W. ....	C. ....	
1887. ....	Page Belting Co., Concord, N. H.	Earnings over 10.	M. ....	C. ....	Committee.
		p. c. on cap. up to \$1200.			
1887. ....	John Wanamaker, dry goods, etc., Philadelphia.	Fixed sum, not published.	not. M. ....		Bonus to all salesmen.
1887. ....	Yale and Towne Mfg. Co., locks, cranes, Stamford, Ct.	P. c. on gain.			"Gain sharing."
1887. ....	Procter and Gamble, soap and candles, Ivorydale, O.	Proportion of wag. to sales.	W. ....	C. ....	Semi-annual division.
1888. ....	Meyer Bros., wholesale druggists, St. Louis, Mo.	Divid. over 6.	W. ....	C. ....	
		p. c. on cer. amt of cap.			
1888. ....	Scott and Holstein, lumber, Duluth, Minn.	30 partic.	W. S. ....		

## Second Division: Indeterminate Bonus.

Date.	Name of Establishment: Place and nature of business.	No. of Employees.	Basis of Division.	Manner of Pay- ment.	Remarks.
FRANCE.					
1864.	E. Mongin et Cie., mfrs. of saws, Paris.	165	W	C.	Prizes on production for workmen.
1871.	Roland-Gosselin, broker, Paris.	33 participants	W	P.	
1871.	Vernes et Cie., bankers, Paris.		W	P.	
1872.	Abadie et Cie., paper works, Thiel.	200-250	W	C.	Employees may become shareholders.
1872.	Hanappier et Cie., wine merchants, Bordeaux.		W	P.	
1872.	Touange de la Haute-Seine (Cie. du), towage, Paris.	85	W	P.	
1875.	O. Fauquet, cotton-spinner, Oissel.	320	M	C. $\frac{1}{3}$ ; P. $\frac{2}{3}$ .	Committee.
1876.	L' Abeille (Insurance Co.), Paris.		W	P.	
1876.	Veune Boucicaut et Cie. (now Plassard, Morin, Fillot et Cie.), Au Bon Marché, Paris.	3000	W	P.	Participation in four forms.
1877.	Besselièvre, calicoes, Maromme.	250	W	C. $\frac{1}{3}$ ; P. $\frac{2}{3}$ .	Committee.
1880.	Caillard Frères, machinists, Havre.		W	P.	Committee.
1881.	Lefranc et Cie., printing inks, Paris.	30 partie.	W. S.	P.	
1881.	Piat, iron foundry, Paris.	400	W	C. $\frac{1}{3}$ ; P. $\frac{2}{3}$ .	
1883.	Usines de Mazières (Soc. des), metal workers.		W	P.	
1884.	J. Bordoux et Cie. (Soc. de la Corréze), lace mfrs., Paris.		W	C. $\frac{2}{3}$ ; P. $\frac{1}{3}$ .	Bonus not over 20 p. c.; $\frac{1}{2}$ to a loss-sharing fund.
1885.	Lombart Chocolate Works, Paris.	450	W. S. M.		
SWITZERLAND.					
1870.	Schuchardt, printer, Geneva.		P.		Deficient information.
1871.	Pernod fils, distiller, Pontarlier (France) and Couvet.		A		Bonus supports aid fund.
1871.	F. Steinfels, soap mfr., Zurich.	28-35	S. M.	C.	Averages from 4-10 p. c. on wages.
1872.	Reishauer et Bluntschli, tools, Zurich.	70	S	P.	
—	Fabrique d'Appareils Electriques, electrical apparatus, Neuchatel.		C.		Deposit for 1 year in savings bank.

## GERMANY AND AUSTRIA-HUNGARY.

1869.....	G. Adler, paper board and lithography, ..310.....	.....W.....P.....	
	Buchholz, Saxony.		
1869.....	Paper Works, Schölgmühl, Austria.....	800.....C.....	
1874.....	Schaeffer, Lalance et Cie., cottons and ..1000.....	.....W.....C. $\frac{1}{3}$ ; P. $\frac{2}{3}$ .....	
	woolens, Pfafstadt, Alsace.		
1875.....	Raulino und Co., tobacco mfrs., Bamberg, ..70-80.....	.....W.....C. $\frac{2}{3}$ .....	$\frac{1}{4}$ in clothing-Bavaria.
OTHER EUROPEAN COUNTRIES.			
1863.....	Protopow, wax candles, St. Petersburg.....40.....	.....W. M.....C.....	Equal to 5 p. c. on wages.
	Russia.		
1884.....	Tangyes, limited, engineers, Birming-..1500.....	.....M. S.....C. (dividend).....	50 <i>l.</i> bond.
	ham, England.		
—.....	H. D. Young and Sons, leather merchants..14.....	.....W.....C.....	Gifts based on wages.
	Edinburgh, Scotland.		
1887.....	F. Genevois <i>et fils</i> , mfrs. of soap and .....	.....W. M.....Shares.....	
	perfumery, Naples, Italy.		
—.....	W. H. Smith & Co., newsdealers, London.....		Strictly private.

## UNITED STATES OF AMERICA.

1872.....	H. O. Houghton and Co., Riverside Press, ..533.....	.....Savings.....	Extra interest, up to 10 p. c. on deposits.
1879.....	Rand, McNally and Co., publishers and ..600.....		Stock.
	printers, Chicago.		
1885.....	Keene Bros., shoe mfrs., Lynn, Mass, .....	.....W.....	Certificates of.....Details reserved.
	and Skowhegan, Me.		profits.
—.....	Geo. H. Kingman, shoe mfr., Brockton, .....	.....Stock held by.....	Guaranteed divi-..Dividend 6 p. c.
	Mass.	.....workmen.	dend.
1886.....	Rumford Chemical Works, Providence, ..300.....	.....S.....C.....	Bonus 10 to 25 p. c. on salaries.
	R. I.		
1886.....	A. Dolge, mfr. piano felt, Dolgeville, N. Y. ....		Pensions and life insurance.
	<i>Public Ledger</i> , Philadelphia, Pa. ....		Extra wages, pensions, etc.
1886.....	Bueyrus (Ohio) Foundry and Mfg. Co. ....125.....	.....W.....C.....	
1887.....	W. H. Zinn, dry goods, etc., Boston.....	.....S.....	Three classes.
1887.....	J. W. Tufts, soda-water apparatus, Bos-..400.....		Aid society and savings.
	ton.		



of the scheme which assigns to the employee a share in the profits of business, in addition to regular wages.

Let us first classify the cases in Table No. II. according to the length of the trial of participation : —

No. of Years' Trial.	No. of Instances.	No. of Years' Trial.	No. of Instances.
40 . . . . .	7	5 . . . . .	21
30 . . . . .	5	3 . . . . .	21
20 . . . . .	14	2 . . . . .	16
15 . . . . .	30	1 . . . . .	4
10 . . . . .	15	No date given	5

The reckoning is to the present year, 1889.

There are thus 129 cases which are now in their second year or over.

Going more into detail, we find : In *France* : —

No. of Years' Trial.	No. of Instances.	No. of Years' Trial.	No. of Instances.
40 . . . . .	5	5 . . . . .	12
30 . . . . .	4	3 . . . . .	6
20 . . . . .	5	2 . . . . .	2
15 . . . . .	14		
10 . . . . .	9		
		In all	57

In *Switzerland* : —

15 years' trial or more . . . . .	8 instances.
10 years' trial or more . . . . .	2 instances.

In *Germany* : —

No. of Years' Trial.	No. of Instances.	No. of Years' Trial.	No. of Instances.
40 . . . . .	2	10 . . . . .	1
30 . . . . .	1	5 . . . . .	1
20 . . . . .	5	3 . . . . .	2
15 . . . . .	6		
		In all	18

In *England* : —

10 years' trial . . . . .	1 instance.
5 years' trial or less . . . . .	7 instances.

In *European Countries* other than those named : —

5 years' trial or more . . . . .	7 instances.
2 years' trial or less . . . . .	1 instance.

And in the *United States* : —

6 years' trial or more . . . . .	6 instances.
2 years' trial . . . . .	24 instances.
1 year's trial . . . . .	2 instances.

The dates of the table remind us that while M. Leclaire has the undoubted credit of having been the first person to apply participation on any large scale, he was closely followed by M. Laroche-Joubert, M. Paul Dupont, and Deberney et Cie.<sup>1</sup> Messrs. Cohin et Cie., Steinheil, Dieterlen et Cie., and Herr J. H. von Thünen were also practising profit sharing before 1850.

In France, the increase in the number of participating firms, from 1855 onwards, has been comparatively steady, the number now standing between 55 and 60. In Switzerland, the 10 instances, dating ten years back or more, have no followers recorded in the sources of information open to me. This fact may be explained in some degree by the circumstances that Dr. Böhmert's work, the chief authority thus far on this subject, was published in 1878, and that the principal investigations since that time have been concerned mainly with France, England, and the United States. This remark will apply to Germany also; but the prevalence there of socialism has probably been an important reason for the small and slow increase in the number of firms making a trial of the system of participation. Three instances, it will be observed, are of Alsatian houses, which since the war of 1870 have owed allegiance to the German Empire. In England, the abandonment of their noted trials of industrial partnership by the Messrs. Briggs and by

<sup>1</sup> M. François Bartholony should be added, although the Orleans Railway Co. is not included in this table.

Fox, Head and Co. in 1874 checked the advance of the scheme to a more general trial; but in the last five years, 7 houses have entered upon the plan. In the United States, the experience of the Messrs. Brewster and Co. exerted a similar influence, but by 1882 6 concerns had introduced profit sharing; these were followed by 11 in 1886, and in 1887 by 12 others. There are, then, at least 29 cases of profit sharing in actual operation at this time in this country which began in 1887, 1886, or 1882. As compared with France, Germany, and Switzerland, the United States show a smaller number of cases of long standing, and a considerably larger number of instances of adoption of the system in the last three years. This latter fact is evidently explained by the spread of labor difficulties in recent years. While the comparative newness of two thirds of the American attempts makes their testimony less weighty, their nearness and consequent accessibility are important features in the eyes of American employers and economic students. Their late date has enabled them to profit better, if they would, by the experience, favorable and unfavorable, gained in older trials.

Not by mere chance, apparently, the two republics of France and the United States show the longest lists of profit sharing firms: the tendency toward equality is visible in this scheme as in the democratic governments of these two countries, the practical question being in both spheres, of politics and of business, how far equality is feasible and for the interests of all concerned. Germany, which the popular mind in other countries still considers the home of theory and speculation, shows a much smaller proportionate number of instances of participation than France or the United

States. So far as theory and speculation have had their way in Germany in economic matters, it is evident that they have favored state or other socialisms much more than the comparatively moderate scheme of admitting workmen to a share in the profits of business to be determined entirely by their employers.

A glance at Table No. II. suffices to show that the size of the establishment has little to do with the applicability of profit sharing. Business concerns employing ten or a dozen men stand here in line with great establishments like the *Papeterie Coöperative* of Angoulême, the Chaix Press of Paris, the Pillsbury flour mills of Minneapolis, the Godin iron works at Guise, the Steinheil cotton factory, and the *Bon Marché* of Paris, with hundreds and thousands of men and women in their employ. The testimony of the employers of labor proves that the "proper size" for a participating establishment is an imaginary quantity. None states that he failed because he occupied too few or too many hands; none has declared that he succeeded because the number of his employees was great or because it was small. The size of the concern does not appear to be a factor needing to be taken into account. Theoretically, plausible reasons could be given why the scheme should operate better in a large establishment than in a small one; but as many reasons could easily be marshalled to prove the opposite. Experience gives a uniform verdict that the number of employees, in itself considered, is not important.

A matter of the very first import, however, is the nature of the occupation in which the system of profit sharing is applied. Theory and experience harmonize here in declaring that if the employee is to create an

extra fund of profits, which shall at least provide his bonus, the business must be such that increased industry, skill, care, or economy will *tell* upon the result. If, in a particular factory, the wages system has already been supplemented by the introduction of piece work, and prizes for economy of material and for increase of production, and if the profits of the establishment depend in a high degree upon the commercial skill of the firm in buying raw material and selling the product, profit sharing can hardly be expected to improve the situation greatly. The manufacture of cotton and woolen goods will occur to the business man as being a comparatively unpromising field for this new system. The value of the "plant" is very great, the working capital must be large, machinery plays the chief part, and much of the labor employed is unskilled save in a very narrow line. The market is variable, and the balance sheet is determined more by the skill of the management than by the quality of the manual labor employed. When to these elements which affect the business of making articles of common necessity, like cotton and woolen cloths, we add, in the manufacture of silks and velvets, the element of luxury, indulgence in which is fixed by the general condition of a country, or even of the whole commercial world, we have a condition of things which, on the face of it, offers very little encouragement for the introduction of profit sharing. The profits to be shared in this last industry are extremely uncertain; when made at all, they are due very largely to the commercial skill of the managers, taking advantage of favorable conjunctures of peace and business prosperity. The result of the ten years' experience of the firm of H. vom Bruck Söhne, of Krefeld, should not, then, have been surpris-



ing to one who bore in mind the nature of the business, even had the plan there adopted been well considered. It is a matter for regret, nevertheless, that the scheme of the firm should have been so very defective that the principle had not a fair opportunity to show its natural effects, in however limited a degree, in this comparatively unfavorable field.

This regret will increase when, in returning to the manufacture of cottons and woollens, we observe that the whole body of positive experience is far from pronouncing against profit sharing in these lines of business, the emphatic verdict for which general considerations might prepare us. I have already noted the conflict of the actual experiments in this quarter. Geilinger Frères, calico manufacturers, in Switzerland, divided with their employees an indeterminate sum out of profits for ten years, and were disappointed in the results. M. Besselièvre, a French employer in the same industry, practises the same system for the last twelve years, and is thoroughly satisfied. We note, in comparing these two cases, that the one began as the other ended. Geilinger Frères relinquished their attempt in 1877 after three very bad years for their business, in which they paid no bonus; only in 1867 and in 1872 had they succeeded in paying dividends of any magnitude to labor. M. Besselièvre, beginning his trial in 1877, paid bonuses up to 1885 of 7 to 17 per cent., and declared in 1883 that the 80,000 francs then paid out in this way had cost the firm nothing. He was undisturbed by the socialistic agitation which troubled the Swiss firm earlier; but it is highly probable that the practical restriction of the bonus to a portion of the employees, and the reservation of one half of it for pensions, are causes of his

success. The Geilinger Frères admitted all their hands to a share, and paid out the whole sum in cash. Wages, again, rose greatly between 1866 and 1877, and this fact of course had an unfavorable effect upon the bonus to be divided.

The case of the Keller Frères, who divided about 8 per cent. on wages for two years only, in their cotton-spinning establishment, is an instance from which little instruction can be gained : the trial was short, and the workmen, according to the firm, were a bad set to begin with. But beyond remarking that the retention of the bonus by the firm for twelve months was not a feature calculated to prove helpful to the plan, I will only point out that the firm does not appear to be one upon the testimony of which extreme weight should be placed by a cautious student of the question.

The Kaufbeuern cotton mills gave the system a much more thorough trial in their application of it for eight years, during which the bonus averaged 10 per cent. on wages. The payment of this bonus in small sums on each fortnightly pay-roll is a unique element in this case, and one not to be recommended for general adoption, as its tendency would seem to be to weaken the stimulus, the bonus being very small and very frequent. Socialism entered here as a disturbing force, and the action of the firm in abandoning profit sharing on the approach of bad times is one the wisdom of which we are not free to question. The system of prizes on production which they substituted brought about the former increase of wages as soon as business improved. The managers, after full trial of both systems, prefer the existing one, in the interests of both parties. Of these three cases in the cotton industry, where participation has been tried and given

up, the Kaufbeuern case is the one in which the evidence unfavorable to the system is clearest and most forcible. I shall not be so much of a partisan as to lay the failure at the door of the fortnightly payment of the bonus: on the contrary, it is easy to believe that the firm found a plan of extra wages for increased production to be more efficacious than profit sharing; the result in money to the operatives was the same in both cases.

The preponderance of testimony, however, in this field of the manufacture of textiles, is in favor of profit sharing. The number of favorable cases is twelve against the four unfavorable cases; the number of years of trial is at least seven to one, and the expressions of satisfaction from the twelve manufacturers are decided. The experiences of Steinheil, Dieterlen and Co., cotton spinners and calico printers; of Schaeffer, Lalance and Co. in the same general line; of Schoeller and Lang, wool spinners; of Chessex and Hoessly, also wool spinners; of the great Rossi woolen mills; of the spinning mill of Oissel; of the calico manufactory of M. Besselièvre; of the Peace Dale Woolen Mills; of the Norriton Woolen Factory; of Cohin et Cie., and the Société du Finistère, in the manufacture of linen; and of J. Bordoax and Co., lace manufacturers, — are gratifying to these firms. Without dwelling upon these instances, I will refer the reader to the accounts already given, and will simply note that the various forms of profit sharing practised in these mills are successful in increasing the profits of business to the owners; that they have worked for years to the contentment of the masters and the men; and that when profits have been lacking, owing to causes beyond the control of either party,

there has been no discontinuance of the system. Our provisional conclusion, until experience is more ample, must be, therefore, that the existing evidence does not bear out the presumption that profit sharing is ill adapted to the great cotton and woolen manufactures. The bonus realized is not large, but the manufacturers who have given it a thorough trial are, by a decided majority, in favor of the plan. We may say, however, that "collective profit sharing" in favor of the whole body of workpeople in a factory seems to have more evidence to support it than individual profit sharing. There are now 6 cotton mills and 4 woolen mills and 2 linen factories practising participation.

The next largest number of instances in a special field is in the iron industry. This counts up 8 foundries, beside the Godin manufactory of heating apparatus, and the Moutier hardware factory (10 cases in all). There are 4 paper works; 4 manufactories of boots and shoes; 2 large manufactories of clothing; 3 brass works; 3 engine and machine works, on the largest scale; 4 soap manufactories; 3 of matches and candles; 2 of tobacco; 2 potteries; 2 chemical works; 2 distilleries; and 1 instance each in the manufactures of flour; chocolate; shovels; locks and cranes; soda-water apparatus; tools; electrical apparatus; needles; belting; marine apparatus; mouldings; leather; furniture; cases and mechanism of music boxes; tin-foil; percussion caps and cartridges; printing inks; types; labels and stationery, — in which profit sharing is now in more or less successful operation.

In handicrafts, there are 10 instances in the printing and publishing business;<sup>1</sup> 3 of newspapers; 2 of lith-

<sup>1</sup> This number includes one bookseller and one magazine, whose



ographers ; 3 of painters and decorators ; 3 of roofers and plumbers ; 2 of masons ; 2 of gas-fitters ; and 2 of carpenters and builders.

In the line of financial institutions and transportation companies, we find practising profit sharing 9 insurance companies ; 5 banking firms ; 2 railway companies ; a steamboat company ; a horse-railroad company ; a ship-canal company ; and a towage company.

In the distribution of dry goods, there are 4 instances ; in the sale of drugs and of wine, 1 instance each ; in agriculture 4, beside Herr Jahnke's successful experiment for five years. In the previous section we noted the satisfactory results of trials of the plan in the Swiss postal bureau ; in the Zurich Steamboat Co. ; in the manufacture of cocoanut oil, of steam pumps and pianofortes ; and in the building and plumbing trades : all these trials came to an end through other causes than the failure of the system to justify its own existence.

The occupations which have been named in the last five paragraphs differ widely from each other as to the amount and the kind of intelligence which they require in the employee. The demand varies from that made upon the flour-miller, the pianoforte maker, the printer and the lithographer, through the intermediate ranges, down to the slight requisition made by cotton and woolen mills on the majority of their operatives. It is a natural objection, frequently made against the introduction of profit sharing, that most workmen are not sufficiently intelligent to understand the plan. The method does, indeed, involve such a change from

employees are not hand laborers, but clerks and literary men : many of the employees of the three newspapers are of the same classes.



the present wages system, in calling upon each man to remember that his income will be proportioned, in part at least, to his own industry, care, and economy, that only the more intelligent classes of workmen can be expected to comprehend its demands at the first. The ease, however, with which business men, who would properly resent any reflections upon their own intelligence, succeed in misunderstanding the logic and the practice of profit sharing, is a reminder that we must not expect too much at the outset from even the most intelligent of the working classes, nor think meanly of the intellect of workmen should it take them two or three years to appreciate the advantages and the duties of the new system in its actual operation. For an employer to complain that his men do not, immediately after the announcement of the adoption by the house of participation in profits, take on new and surprising traits of zeal and carefulness, is a proof of his own short-sighted impatience. Until a bonus is actually divided, the system is in a partly theoretical stage, and there may be room for suspicion and distrust of the employer's motives. But the workman must be very low in the scale of intelligence who cannot understand the object-lesson given by a bonus in hand. The suspicions of the average workingman will tend to disappear before this tangible proof of the sincerity of the firm, and he will soon show that he begins to understand the plan by a display of greater diligence and stronger attachment to the house. Such an educating force, irresistible in its persuasiveness, has been evident in the experience of many profit sharing firms.

The first demand for intelligence under profit sharing is upon the employer. He should thoroughly understand the scheme, and entertain only rational

expectations. One of his prime duties in adopting the system is to explain its logic to his employees, and to repeat his counsels and encouragements at the annual distributions of bonus. The Messrs. Hazard, Nelson and Cushman, of this country, are excellent examples of this wise policy, in which MM. Billon and Chaix, to name no others, had led the way. A neglect of this measure is probably answerable for the failure of some firms, who have attributed it to "the lack of intelligence" among their employees. The dangerous and fallacious ease with which this broad and vague reason for declining or abandoning participation may be alleged is evident. A review of the various occupations in which profit sharing has been tried will not reveal any clear line of separation among industries, so that some may be pronounced at once to have workmen of so low a grade of intelligence that it would be idle to attempt to modify the wages system in their behalf. If any industrial workers may be safely set down as of a comparatively low standing intellectually, we might so rank coal-miners and most of the hands in tanneries. Yet profit sharing has nowhere wrought a more remarkable transformation in the habits and dispositions of workmen than in the Whitwood collieries; and two instances out of the three in the leather manufacture were successful experiences so far as the workmen were concerned. From the printer or lithographer to the common operative in a cotton or woollen mill is a "far cry," indeed, intellectually; and it would be unwise to expect so early an understanding of the new way of remunerating labor from the latter as from the former. Yet comprehension is wonderfully quickened by the payment of a bonus or two in cash; and there is no more efficient instructor than self-interest. Ex-

perience has demonstrated that, in a large number of occupations where unskilled labor is employed, the educating power of profit sharing is high enough to render its adoption a source of satisfaction. I am not aware that a full trial has yet plainly indicated a single occupation in which the system would certainly fail because of the ignorance of the working people. Prejudice and ignorance, I must request the reader to bear in mind, are two quite different things, in employer or in employee.

Dr. Heinrich Frommer, who has made an examination of participation from the critical standpoint, gives the preference to piece work as a method of remunerating labor. But there appears to be no sufficient reason for setting the two methods in opposition. Profit sharing tends to remedy some of the deficiencies of the piece-work plan. For the piece worker is apt to produce a large quantity of product at the expense of its quality. Piece work sets the individual worker by himself, unless it is developed into the group system. But profit sharing is a constant reminder of the common interest which is injured by careless, imperfect work. It brings about a mutual superintendence among the men that corrects the haste and excessive self-interest natural to the piece-work plan. Our tables again will show that profit sharing has been highly successful in those industries in which piece work is most thoroughly carried out. Such are printing and the iron manufacture.

Leaving the discussion of the sphere of profit sharing in general, let us proceed to inquire what our tables teach as to the special forms which the system has taken. The first and most important point in connection with the payment of a bonus to the employee

is to decide whether it shall be determined in advance as a fixed percentage on profits,<sup>1</sup> or shall be left to the discretion of the firm on the closing of the books for the year. Without going into details, which the previous pages will easily supply, we can summarize the facts of determinate and indeterminate bonus in a few words. Houses practising the first method are three times as numerous as those practising the second: there appears to be no especial reason in the nature of the occupation, in most instances, that has led the employer to reserve to himself the fixing of the bonus, whether this be done at the beginning of the year, without announcement to the employees, or at the end of the year, without publishing the proportion which the bonus bears to profits made. The great majority of industries in which profit sharing obtains, show instances of both methods practised with success; and it would be difficult to estimate the precise effect of either method upon the result. The *Bon Marché* practises one method in behalf of its provident fund, and the other in behalf of its pension fund. There is a brief list of occupations in which only the indeterminate bonus is paid; it includes the manufactures of paints and printing inks, chocolate, tools, lace, leather, and machinery. There is but one instance, however, in each of these lines, except the last. The Messrs. Caillard Frères and the Tangyes, machinists and engineers, employing over a thousand men each, agree in determining the bonus privately; the Tangyes assigning *bonds* at their pleasure, and the other firm accumulating a property for its men.

<sup>1</sup> In several houses (the Masson and the Mame, for example), the percentage is reckoned upon the *sales*; these firms consider that, in their lines of business, the amount of sales is a sure index of the profits.



The indeterminate bonus is, theoretically, an imperfect form of profit sharing, and, other circumstances being equal, the determinate bonus is to be preferred for its good effect upon the workmen. It appears pedantic, however, to exclude the giving of an indefinite bonus, as Dr. Frommer has done, from consideration as profit sharing, on the ground that the system necessarily implies a public agreement between master and man that a known percentage of profits shall be apportioned to the latter at the end of the year. The essence of participation resides, much rather, in an actual payment of a share of the gains of business to the employee. If he receives this regularly, it is a minor matter whether he knows or does not know its proportion to the whole profits. Some firms take the course of concealing this fixed proportion, for fear of injury to their business standing from its publication. Obviously, the workman would be no better off at the end of the year if the firm had announced the principles on which they had acted in fixing the bonus, as the announcement would not have increased the percentage. The effect, on the other hand, of publishing at the start the extent to which the employees should share in profits, would be beneficial *during the year*. It puts the whole matter on a settled basis: it removes the ground of many possible suspicions of bad faith or partiality, and it seems to fulfil the logical demands of partnership. Two firms, it will have been observed (Chessex and Hoessly, and M. Besselièvre), declare their intention to change, as soon as they think it feasible, from the indeterminate to the determinate bonus. The greater publicity of business transactions due to the increase of joint-stock companies, legally obliged to make full returns of their affairs, undoubtedly tends



to diminish the desire and the need of secrecy with private firms. But while the determinate bonus is to be preferred to the indeterminate for its moral effect, it should be emphatically borne in mind that the essence of profit sharing is getting a regular share of profits into the pocket of the employee: the method by which it arrives there is not the main point. Dr. Frommer has not framed his definition to suit the facts, but has been too technical. The system of the Messrs. Pillsbury, and Rogers, Peet and Co., of fixing the percentage by agreement among the members of the firm, but refraining from publishing more than the fact that it is thus fixed as a constant proportion, will recommend itself to many employers who shrink from giving to their business affairs more publicity than these have before had.

Employers thus disposed are entirely free to fix the proportion in which profits shall be distributed among the various factors of production according to the most logical method yet devised. This is applied by the N. O. Nelson Manufacturing Co., for example, which divides net profits between the firm and the employees in the proportion that the invested capital bears to the wages paid. The principle is, that the interest on capital, the wages, and the salaries for management are *expenses* of operation, and that profits should go in an equal percentage to the three factors, capital, skill, and labor. The first reward of these three is fixed by the current rates of interest, salaries, and wages. The second reward, if any, must be variable; but the theory of profit sharing, when fully developed, is that this second, variable reward should be divided in the proportions governing the first fixed reward. When the manager is owner of the invested capital,

his share includes, of course, interest and dividend on capital, as well as salary and its dividend. When he has borrowed the capital at his own risk, capital must, in equity, allow its dividend to fall to him. As manager on a definite salary, he should receive the same dividend as wage workers do, his superior skill being rewarded by the much greater fixed recompense and its attendant bonus.

This scheme, which appears to me the most logical and equitable of all those in effect to-day, is naturally practised in its simplicity and entirety by very few firms as yet : such are Deberny et Cie., *La Providence* tannery at Coulommiers, the N. O. Nelson Co., Haines, Jones and Cadbury, and Rice, Griffin and Co. But a large number of firms are guided by the proportion of capital to pay-roll in fixing the per cent., either strictly according to this proportion or approximately thereto. In the Godin establishment 50 per cent. of the net profit is divided in the proportion *interest* bears to wages paid ; this regulation is very generous toward labor. With the Ara Cushman Company, and Procter and Gamble, the relation held in view is that of wages to *sales*. M. Fourdinois pays labor one half the dividend received by capital : the Boden-Kredit-Aktien Bank limits the equal dividend to wages to 10 per cent. The Möller and the Ilsede iron foundries pay the same dividend to the bonus deposited in a savings bank as to capital. The S. Crump Label Co. divides among its hands the earnings on 10 per cent. of its capital ; The Century Co., those on an unpublished part of the stock. Meyer Bros. and Co. distribute the dividend over 6 per cent. on such an unnamed portion, and the Page Belting Co. divides the earnings on its whole capital over 10 per cent. up to \$1,200. The

Yale-Towne Manufacturing Co. gives its men a percentage of the gain made in production. The usual method, as the table shows, is to fix beforehand a percentage of the profits, if any, which shall go to wages at the end of the year. This figure varies from 1, 2, 3, 4, or 5 per cent. up to the 50 per cent. paid in the *Maison Leclaire*. The nature of the business, the proportion of capital to wages, and the ratio of capital and wages to product, are factors which have led to fixing the various percentages.

When we turn to the basis on which the bonus, however it is ascertained as a collective amount, is distributed among the individual workmen, we find a very general agreement, as was to be expected, on the amount of wages earned by each employee as a just measure of his dividend. The wages paid are supposed to represent the comparative value of the services actually rendered, and they thus furnish a natural basis for the division of the extra compensation. The variations from this principle, for the purpose of rewarding length of service and exceptional merit, are comparatively few; and no specific instruction under this head is to be derived from the tables. In the case of M. Saunier, who divides a bonus in equal shares among 20 workmen, there is a *general* participation also; and these men are presumably on a level, or nearly so, as respects their earnings. Where the bonus is indeterminate, it is somewhat easier for the firm to take into account seniority and merit than where the more open method is in vogue.

The length of time required to qualify an employee for participation varies from no time at all, as in the *Maison Leclaire* where the most casual workman receives a bonus on his one day's work, to seven or ten

years in firms which pay large pensions. The limit that usually suggests itself is service during the full year. As one common object of profit sharing is to procure a stable body of employees, it is evident that a time condition of only three or six months would be comparatively ineffectual in securing this result. The average limit, which should best reach this aim without discouraging the employee by making him wait a very long time, will be apparent to the employer who is well acquainted with the conditions of labor in his own line. Here, as in other respects, profit sharing is no hard and fast system, but, on the contrary, a highly flexible arrangement, easily adjusted to the varying demands of each industry and each firm.

The same variability appears in regard to the manner in which each employee's share reaches him. A small number of foreign firms, like the *Papeterie Coopérative* and *La Providence* tannery, pay out the whole bonus in cash. Most of the bankers, brokers, and insurance companies, on the contrary, adopt M. Alfred de Courcy's plan of deferred participation, and reserve the whole dividend to form a capital, accumulating at compound interest, for the benefit of the participant. As M. Marquot observes, this system, while it tends in a high degree to secure the stability of the very intelligent class of men employed in these institutions, would probably be quite ineffective if applied to men working by the day on hand labor. These could not be expected so to appreciate the value of a property thus accumulating as to equal men who receive in cash the whole or a part of the bonus earned. Many French and German houses seek to combine these two methods by paying in cash  $\frac{1}{3}$  or  $\frac{1}{2}$  or some other fraction of the bonus, reserving the remainder



to form pensions for old age, usually with a right of inheritance of the accumulated sum vested in the family of the employee.

The obligatory investment of the bonus in shares of the firm, either wholly as at Guise and Huddersfield, or in part as with Billon and Isaac, tends to make the establishment a purely coöperative one in time. A more promising method of initiating coöperation could hardly be devised. If the object before the mind of the profit-sharing firm is the gradual transformation of the business into a coöperative establishment, there is thus instituted a period of apprenticeship, in which the workmen may learn the vast difference there is between skill in production and skill in commercial management. But when the firm does not embrace future coöperation in its view, nor oblige the employee to take a part or the whole of his bonus in shares, it is an excellent plan to give him the privilege of investing his dividend in stock if he wishes. When this privilege is accorded by a prosperous firm, the workmen generally show themselves eager to become capitalists on a small scale, and they indulge thereafter in very little denunciation of the class which they have thus entered. The experience of the N. O. Nelson Co. and others shows the high advisability of thus linking the interests of the employees to the business that they may be at once workers and part proprietors. The scheme practised by Mr. Geo. H. Kingman reaches the same end in a more indirect manner. The method of interesting employees by making access to stockholding easy for them has found considerable favor in the boot and shoe industry in this country: it is practised with success in several establishments in Marlborough, Mass., for example. It is certainly a step in



the right direction. The effect of the scheme would undoubtedly be heightened if, by some method of profit sharing, the bonus of the workman were applied, either voluntarily or compulsorily, to this end. The regulations of firms, abroad and at home, which keep this end paramount, especially deserve the study of employers who contemplate profit sharing. A recent Massachusetts statute enables corporations to set aside a certain portion of their stock as "employees' stock," giving an excellent opening to the men. Participation in *losses* is evidently provided for, to a certain degree, when the workman is also a stockholder.

The most marked feature of distinction between the French and the American experiments is the importance attached in the former to provision for the workman's *future*. The American firms almost invariably pay the full bonus in cash, and leave the employee entirely free to dispose of it as he will, thriftily or wastefully. The French houses as a rule retain no small part of the dividend to labor for the purpose of providing a pension for the aged or disabled workman, which is often derived from an accumulation to his credit that falls on his decease to his heirs. M. Leclaire's original impulse to participation was his intense desire to relieve his men from the distresses incident to old age for which no provision had been made. M. Alfred de Courcy's deferred participation has this precaution for its chief object. The table will show at once how very numerous are the variations of the French and German profit sharing houses upon this theme of provision for old age and disability. A large place in the regulations of most firms is occupied by the rules governing the disposition of pensions and employees' properties. In the brief synopses, these

have been omitted, as they present a general uniformity of principle with those detailed in the case of the leading firms. Savings banks have had greater vogue in the United States than in continental countries, and for this reason the need of regulations for compulsory saving of a part of the bonus to labor is probably less. With M. Laroche-Joubert, again, the American employer may prefer to respect his workmen's individuality by leaving them entirely free to dispose of their dividend, considering such a method more in consonance with American usages. But where facilities are not afforded the employee to become a stockholder, — facilities of which he actually avails himself to a considerable degree, — the French system of depositing a part of the bonus in a pension fund, or in an account in a savings bank, or in premiums on a life-insurance policy, seems much preferable to the American neglect of these provisions. Profit sharing can easily be made to promote thrift, and bring about stability in the working force. If the employees are careless about saving from their wages, the system can supply the defect in part at least; and when the accumulated bonus is made forfeitable to the remaining employees in case of voluntary withdrawal from work without good cause, a potent reason for permanence is held up. As the American experiments in participation solidify with time, they will gain in logical completeness and in practical effect by incorporating some features of compulsory provision for the future. Several failures of profit sharing in this country may justly be ascribed, in no small degree, to the entire neglect of regulations for retaining a portion of the bonus. The legitimate educating effect of the developed system in promoting thrift is one of its strong recommendations to favor.

## CHAPTER X.

### THE ARGUMENT FOR PROFIT SHARING.

THE distinguished economist J. H. von Thünen, whose experience on his fine estate of Tellow has been related, declared profit sharing to be "the only salvation of the laboring class." This declaration is more unqualified than that which I now make as an induction from the facts given in the preceding pages, and to the support of which I shall devote this closing chapter.

Profit Sharing, the division of realized profits between the capitalist, the employer and the employee, in addition to regular interest, salary, and wages, is the most equitable and generally satisfactory method of remunerating the three industrial agents.

Of one of these three factors, Capital, little has thus far been said, and little more needs to be added. There is of course no "antagonism" between the employer and the capitalist (who is the owner of capital: that and nothing more). The two functions are often combined in the same person, but they should none the less be carefully distinguished, as later economists have wisely taught. The capitalist is by nature anxious to have his capital employed to his profit. The *entrepreneur*, manager, or employer of labor must have this capital as the basis of his operations.

There is no "antagonism" between the capitalist

and the laborer. When the laborer would be his own employer, in a coöperative establishment, he seeks the aid of capital, and, if he can offer reasonably good security, he readily obtains it. The "antagonism," which is real, and also natural, is the opposition of the buyer and the seller of labor, of the employer and the employee: the one seeks to obtain labor at a low price, the other seeks to dispose of his labor at a high price. The divergence of interests is palpable. To short-sighted selfishness, the ensuing conflict will appear "irrepressible." The disinterested observer, however, who views the collision of interests philosophically, will be confident that "reason and the will of God" must finally prevail in this sphere as elsewhere. He consults history to obtain suggestions for the modification of a system under which labor troubles are increasing formidably. Following the historic line, and looking to the interests of society in general, he will soon light upon feasible methods of drawing the employer and the employee together in a closer partnership than the pure wages system brings about. He will reject coöperation as a present solution of the problem to any considerable extent, since it practically endeavors to get rid of the employer, and thus far, at least, these attempts have had little success. He will hold more reasonably that the office of the manager is being "magnified" under the conditions of modern industry, and that they reckon ill who leave him out. Esteeming arbitration but a poultice, he will conclude that the present industrial disease is caused largely by the decay of the feeling of partnership prevalent in earlier and simpler days, when business establishments were small, when the master often worked with the man, and product sharing was com-



mon. He will decide that a sharing of profits, since a sharing of products is now out of the question, is, on general grounds, the most likely solution of the problem, so far as any one method can be a solution.

The best trade union is a union of employer and employee, said Professor Jevons: few will be forward to deny this statement. The point for discussion is simply the feasibility of such a union, which shall have the effect of improving the whole industrial situation by raising the quality of work, and increasing the return to master and to man alike. We cannot too often repeat that the question, whether or not such industrial partnership is practicable, can only be determined by actual trial. Theoretical objections from business men who have never tried the scheme, I shall here leave in such a state of equilibrium as they may attain with eulogies from advocates equally ignorant of its practical working. Discussions of profit sharing in a vacuum are idle. On the other hand, the facts accumulated in this volume will tell their own tale. Whatever the result has been, I have allowed the experimenters to make their comments, as being the most competent witnesses. Any one is free to declare that the total experience thus far is insufficient to prove the general applicability of the system to the many and varied industries of modern life. But I am greatly mistaken if the simple facts of profit sharing do not at least show that a much wider test of the system is highly advisable.

The employing class, as a whole, is open to the reproach that the rapid evolution of organization among laboring men has not been met by a general effort, originating with the employers, after a closer union of interests between the two parties. That the manager



should oppose the trade union and the Knights of Labor with nothing but the Employers' Association, and should be content to match the strike and the boycott with the lockout and the black-list, is not a convincing proof of the superior intelligence which he claims. It is incumbent on him, as actually the better educated party, to make the first advance, and to show that his constant assertion that the "interests of capital and labor are identical" is true, or can be made true. A comparatively small number of the more prosperous employers of labor exert themselves to promote the welfare of their employees. They assist their men to build houses of their own; they establish schools and libraries; they try to suppress intemperance, and aid thrift among their work-people, and cultivate, so far as possible, a personal acquaintance. The indirect sharing of profits has a large number of examples in all civilized countries; the kindly interest of the employer in his workers increases, and it remains to be proved that such humaneness is unprofitable in even the lowest sense. As a simple fact, such employers think "it pays," and are usually those most occupied with the thought of dividing the profits of their business with their men in a more direct way.

The great majority of the employers enumerated in this volume as practicers of profit sharing have probably a touch of philanthropy in them; this, it is needless to say, has not spoiled them for business. But if profit sharing were purely philanthropy, these employers, sagacious and successful men as most of them are, would not have prospered as they have. On the contrary, they generally agree that the division of a bonus among the workmen is good business policy,

and that they have lost nothing by it; in most cases they claim that their own share is greater than the whole profits were under the simple wages system. No fallacy, indeed, could be worse in this connection than the common one, through which the logic of M. Leclaire had to make its way at the outset, that the system of participation does not increase the product, and must therefore diminish the employer's profit. In fact, the tendency of Profit Sharing is to enlarge the disposable profits to such a degree that the employer is better off financially than before. He may be more prosperous simply because of freedom from difficulties with his employees: industrial peace has a high money value, as none know better than manufacturers who have suffered from repeated strikes. But, looked at both positively and negatively, *Profit Sharing advances the prosperity of an establishment by increasing the quantity of the product, by improving its quality, by promoting care of implements and economy of materials, and by diminishing labor difficulties and the cost of superintendence.* It thus accumulates an extra fund of profits under the same general conditions, any increased outlay being mainly for the larger amount of raw material demanded for the greater product. Out of this extra profit comes the share of the men, whose diligence and care have created it. By its ability to create such an extra fund, in one or more of the ways mentioned, Profit Sharing must stand or fall with the great majority of employers, who are unable, however willing they might be, to conduct their business on philanthropic principles. But if the verdict given by nine employers out of ten who have tried profit sharing be true, then it must be pronounced poor business policy to neglect such a means of prosperity.

I. Profit Sharing, as compared with simple wages, tends to increase the product of a given industry. This increase, which is to be distinguished from a gain made through economy of material and greater carefulness about the productive processes, is due to the better employment of their fixed hours by the force. That such an increase of product is possible in most cases, the employer will usually be the last person to doubt. The standing grievance of the master against the man, in every industry, is that the employee does not fill with zealous work the time for which he is paid. Idleness, carelessness, and neglect of the master's interest in securing a large product, are the commonest reproaches of the one who hires labor directed against the one who sells labor. To get as much as possible for the ten hours, and to do merely as much as is convenient for himself, — this, to judge by the employer of labor, on a large or on a small scale the world over, is the besetting sin of the laboring man. Making allowance for the small minority of human beings who will do their best, whether working for themselves or for another, — and it might even be called an abnormal minority, — and for a larger number who do in fact render a fair equivalent in service for the wages they receive, the complaint of the employer holds true of the great majority of laboring men. This is the fact because he measures their achievement by one standard and they measure it by another. His standard is the industry of the owner of the business, who has every motive of self-interest to put forth all his powers. These motives may be inadequate to overcome native indolence in some cases, but still they are there, and as human nature is constituted they are the strongest persistent force that can

be brought to bear. Self-interest in the case of the average laborer leads him, on the contrary, to work only hard enough to keep his place, and satisfy the master fairly. All beyond this appears to him superfluous.

Now if the master can bring into play upon the mind of his hired man more of the same motive of self-interest which is so effective with himself, he may look to see somewhat of the same result. If he dispenses with wages altogether, as in the fisheries, and engages men to work for a share of the product which depends entirely upon their own zeal and energy, he attains a result entirely satisfactory, so far as the labor put forth is concerned ; he could not ask that it should be more interested and strenuous. If, as the owner of a farm, he lets his estate on halves, the result in energetic and persistent labor is good : the workman has none of the risks or cares of ownership, and he enjoys one half of the product, which he thus has a strong motive to make as great as possible. Profit sharing, whether in agriculture, trade, or manufactures, is the adaptation of this ancient and approved system of product sharing to the conditions of modern industrial life. It not only allows room for the increased energy usually shown in product sharing, by supplying the familiar and adequate motive of self-interest ; it also improves upon product sharing by securing to the workman a regular wage sufficient for maintenance at least, and thus it takes away the excess of care and anxiety, leaving motive enough to bring out full exertion.

Product sharing, as we have seen, is passing out of use ; but it would be an unusual phenomenon in history if the wages system, which has generally super-



seded it, were in all respects an improvement upon it. Human progress, it has often been remarked, is on a spiral rather than on a horizontal line. Mankind has to return upon its track, as it were, in order to reassert a sound principle that has been neglected or abandoned in the onward march. After a period of great changes, it discovers some weakness in the new position. It advances on its spiral way to take up a position and attitude more like those of the former days. But it is on a higher level, and it is stronger because in the new good it has now incorporated much of the old excellence. Profit sharing, broadly considered, is such a return in the evolution of industry. It goes back from the pure wages system, itself an undoubted advance, but now proved defective by sad experience, to the older system, which could not remain, but which had virtues of its own, overlooked in the rapid industrial development of the century of machinery.

Unless human nature has radically changed in this modern world, a man will work harder if he has a direct interest in the product of his work, as in the time before wages were known, than he will work if destitute of such a motive. It would require a great amount of evidence, from firms that have abandoned profit sharing, to offset the force of so broad and simple an induction from the plainest facts of human nature. But no such evidence is forthcoming. On the contrary, the cases in which there was no increase in product, owing to greater diligence on the part of the men, are few and far between, and can be much more logically explained than by assuming that profit sharing has no tendency to stimulate the workman. Such firms as the Briggses and the Brewsters have found



the product of their works notably increased. If one asks for specific evidence that the amount of product is multiplied under profit sharing, he will be embarrassed by an abundance of testimony. Where the system is in practice, there is almost invariably a gain in production. It is least in cases where piece work had been the rule; it is greatest in other industries where quality is not the chief consideration. The gain in quantity of product is so thoroughly involved with the gain through increased economy and improved quality that it cannot often be determined exactly by itself. In the large majority of instances it enters into the total gain as a very noticeable part. I will instance at this point only three recent American experiences, and refer the reader to previous chapters for other cases. The proprietors of the Norriton Woolen Mills found their product for 1887 increased 8 to 10 per cent. solely through the influence of profit sharing, which with them took the form of a premium on wages. The St. Louis Shovel Company, with whom piece work prevails, discovered a plain enlargement of their product in the same year. E. R. Hull and Co., of Cleveland, have increased their sales very largely by offering a progressive bonus. It is obvious that where manual labor is a great factor in the expense of production, as in the Whitwood collieries and the Leclair house (70 per cent. in each case), the possible gain, in mere increase of product, must be larger than where labor is a small part of the total expense, as in Herr Borchert's brass works, where Dr. Frommer gives the very low proportion of 3 per cent.

II. Profit Sharing tends to improve the quality of work and product. As the participating workmen

gradually realize the fact that it is directly for their own interest to acquire and maintain a high reputation for the products of the house, they become more careful for themselves and for others, and the necessity for superintendence is largely diminished. M. Billon's testimony to this effect has been quoted; his workmen say: "If one or other, now and then, is guilty of some negligence, a joking remark from his neighbor suffices to bring him to order again." The high reputation of the employees of the *Maison Leclaire* for good work has been set forth. Nothing is more noticeable in the Godin establishment than the zeal of the workmen to improve the quality of the goods turned out; the large number of patents standing in the name of M. Godin or the house is the most convincing proof of this earnestness. The usual improvement in the quality of product under profit sharing is the important consideration which makes it preferable to piece work, or renders its union with piece work advisable, in industries where quality is a matter of first concern.

III. Profit Sharing promotes care of implements and economy of materials. This advantage of the system is more easily reducible to definite form than is either of the two preceding benefits. If the man who works directly on his own account is apt to labor hard and carefully, he also takes pains, as a rule, to economize the raw material, and to preserve the implements or the machinery of the industry. On the other hand, wastefulness of material and carelessness in handling tools and machines are common faults of the wage worker who is not interested in his employer's success. The employer, more sensible than the individual workman of the value of petty savings, takes up the strain of M. Leclaire: "Can the work-

man save 25 centimes in a day by avoiding waste of the materials intrusted to him, and by bestowing care on the preservation of the tools? All answer in the affirmative." Twenty-five centimes a day was a small matter, but multiplied by 300 it would provide a respectable bonus of itself, and in fact it contributed essentially to swell the large dividend to labor in the *Maison Leclaire*. In the same fashion, the Messrs. Briggs calculated that, if their miners were careful in getting out and sorting the coal, they could increase the net product at Whitwood by 3,000*l.* every year, which was in fact more than the average dividend to labor while the industrial partnership lasted. The opportunity for savings in the iron industry was emphatically presented to the employees of the Springfield Foundry in the circular of 1888. Some men, it says, "have been careless and made imperfect castings, fit only for scrap iron. Such castings constitute the worst 'leak' in all foundries. . . . It may surprise you to know it, but it is nevertheless true, that our average loss per pound on bad castings (day work) is over *seven times* the average profit on good castings! Even on piece work, we lose five times as much on an imperfect casting as we gain on a good one. In other words, when you lose a casting which requires one hour to mould, it takes you *all the rest of the day* to make good castings enough to *cover the loss!*"

In like manner, Mr. Ara Cushman, in his address introducing profit sharing in his boot and shoe factory, particularizes numerous sources of loss in that business. "If a man in cutting grain leather uses one foot more for a case of slippers than is absolutely necessary, the loss on his work is from 50 to 60 cents a day. Such a result might easily happen, and be hardly perceptible

to a looker-on, or even to the cutter himself. If a cutter of calf-skins fails to put every part of the skin where it will count for the most, or in the place to which it is best adapted, and thereby makes his shoe vamps cost a half cent a pair more than they otherwise would, the loss on his day's work amounts to at least a dollar." Specifying other openings for economy in material and in the care of machines, Mr. Cushman answers affirmatively his own question, "Could not the savings in all the ways I have indicated be made to amount to a sum which, if divided to all the employees, would be equal to  $2\frac{1}{2}$  or 5 per cent. increase in your pay?"

In every productive industry similar leaks are patent to the employer; but the employee, if he sees them, is largely unconcerned about a loss no part of which will fall upon himself. But if, under a system of profit sharing, it is made directly his interest to prevent all avoidable waste of material, or injury to tools or machinery, and if his eyes are fully opened by the master's explanations to the fact that care and economy mean a dividend which carelessness and wastefulness will destroy, then the natural result is that the leak is closed and the dividend earned. Such was the case in the Whitwood collieries, where the coal was got out and sorted more carefully than before, and props and rails were thoughtfully economized. In Billon and Isaac's establishment the workmen say: "It is with pleasure that one remarks how each man strives to fill up his time with conscientious effort, to effect the utmost possible saving on the materials, and to collect carefully the fallen chips of metal." M. Fauquet saw a notable diminution, in the first four or five years of profit sharing in the Oissel cotton mill, of "the gen-



eral expenses resulting from the employment of material to feed the machinery." M. Besselièvre, speaking of the facility for leakage in his calico manufactory, declares that under participation the workmen take care of this matter, and cites the case of an employee who oiled the machinery and economized in a year a larger sum than his bonus. The amusing extent to which M. Chaix's clerk carried thrift in using old envelopes ; his journeyman printer's effecting a saving of one light out of two ; and M. Gasté's anecdote of the engraver's stone, the breaking of which would make a difference of eight francs on the bonus, — are further instances of the logical working of the profit sharing plan, when once it is thoroughly comprehended by the employees. This is true of operations conducted on the largest scale. The preliminary notice of the *Enquête* of the 10th group at the Parisian Exposition of 1867 says : "It is to be remarked that, despite this participation granted to the coöperators and carried to the annual expense account, the operating expenses of the Orleans Railway Company are generally inferior to those of other companies, which means that the labor is performed better and more economically."

IV. Profit Sharing tends to secure industrial peace. I have been careful in the preceding pages to note every labor difficulty which has occurred in the history of the system. The record has an inspiring shortness and a cheerful slightness ! The number of cases in which profit sharing has been abandoned because of strikes taking place under it is long enough to prove that the system is not an absolute preventive of their occurrence under any and all circumstances ; but it is not long enough to weaken the rational confidence inspired by the harmony which is the almost



invariable rule in participating establishments. The element of absurdity in a strike directed against an employer who pays the highest current wages, and in addition a share of the profits of the business, is very glaring. The great body of such employers have established so friendly relations with their men that a strike is one of the last things to be dreamed of. If the system were an attempt to replace the wages system with nothing but a fluctuating profit, it would give rise in all probability to many serious difficulties; but, as it is, controversies over wages are expressly precluded by the policy of these houses in paying at least as high wages as can be obtained in other houses. When the rate is raised outside, the profit sharing firm follows suit at once. Mr. Archibald Briggs was right in claiming, however, that great or frequent changes in the rate of wages or of interest are in conflict with the fundamental principle of the system. When once either rate has been fixed in a time of average prosperity, it is for the interest, in the end, of both parties to hold to this figure for a considerable period, and to look for further remuneration to the variable bonus and dividend. If these two sums are calculated as an equal percentage on capital and wages, according to the most logical form of profit sharing, the self-adjustment of the scheme is complete. In times of great prosperity, wages and interest will not rise, but the bonus and the extra dividend will largely increase. In times of extreme depression, wages and interest will not fall, even though the bonus should drop out altogether. Especially will this be the result when the reserve fund receives the same attention as it does in conservative houses conducted on the usual system. No precaution taken by

such houses can safely be neglected by a firm taking up profit sharing. The accounts of specific cases previously given will show how largely this sound policy is followed.

In the detailed story of the Briggs experiment I have traced the alienation of the employees culminating in the strike that ended the industrial partnership; it only remains to add here that this was a case of reversion to the usual state of things antecedent to participation, for which the ill-advised policy of the firm, with regard to the trades unions, gave only too much excuse. The Brewster incident was one of those failures always to be expected in the beginnings of reforms, exposed as they are to assault by adverse circumstances before they have gathered strength to stand alone. The Bay State Shoe and Leather Co. weathered such a storm in the early years of its trial, and continued this for four years longer; but the plan of the Union Mining Co. of Mt. Savage, Md., was shipwrecked at once. These two instances, with the slight difficulties in the *Maison Piat* and the Hazard Mills, which have been noted and which hardly deserve the name of strikes, complete the brief record of labor difficulties under the new system. If it is contrasted with the long and melancholy annals of contemporary war in the industrial world, it appears almost insignificant. If it is compared with the kindly relations between employer and employee reigning undisturbed for many years in the great majority of profit sharing houses, it will lead no candid mind to doubt the plain tendency of the system itself to prevent industrial disorders, and to secure a true partnership of master and man. Had there been no exceptions to this tendency, the history of participa-

tion would offer a strange anomaly among movements of reform. The judgments passed by the two great firms in England and America, the Briggses and the Brewsters, that abandoned their schemes because of strikes, are not such as to discourage any further experiment, but quite the reverse.

The objections made to profit sharing come almost entirely from business men who have not tried the plan themselves, and they generally rest on ignorance of the system as it has been practised, or on misconception of its principles. These objections have been answered in the foregoing pages by profit sharers themselves. Were the plan, indeed, to be judged according to the method of the Irish justice, who discharged a man accused of theft because only two persons saw him commit the deed while a dozen swore that they did *not* see him do it, the sentence of industrial partnership would soon be pronounced! The system, however, thus far occupies this peculiarly fortunate position, that its chief advocates are either the men of affairs who have actually tested the plan for years, or economists of repute who have appealed to this same body of experience; while its critics and opponents are chiefly business men who rely more upon powers of prophecy, which they assume to possess, than upon any close study.<sup>1</sup> The latter object, for in-

<sup>1</sup> If one may rely on his own acquaintance with men of business, and upon such inquiries as have been made by Mr. W. E. Barns and Labor Commissioner F. A. Flower of Wisconsin, and reported in the *Labor Problem* of the former and the Second Annual Report of the latter, about one American employer in four considers the scheme desirable if it can be worked out in practice; while the other three are so fully acquainted with the limits of the possible that they impatiently dismiss profit sharing to the limbo of vanities as "impossible," their ignorance of what has been accomplished in this line being only equalled by their dogmatic assurance. Enlightenment as to the actual facts is the chief need of both classes.

stance, that the workmen *will* be interfering with the management of business, and *will* set up a claim to supervise the accounts, and *will* be thoroughly discontented when a bonus is small, or when bad times compel its entire omission.

It is a sufficient answer to these prophecies to consult the experience of the firms who have "summered and wintered it" with profit sharing for years. The French Society for the Practical Study of Participation is composed entirely of business men, from houses in which the system is in vogue. It is the unanimous testimony of the members that they have never had the slightest difficulty from any attempt of their employees to interfere with the management or with the accounts; nor is there a single instance on record of such an attempt. This objection is purely *a priori*, and has absolutely no support from experience. It disregards the elementary fact that participation is a purely voluntary movement from the side of the employer, who is free to give the plan such a form, and to take such precautions, as he may wish. The great majority of firms dividing profits have emphatically reserved to themselves full control of their business and their accounts; and when this reservation has not been expressly made, it has been none the less clearly understood.<sup>1</sup>

That workmen will be disappointed, when their utmost painstaking fails to procure a bonus at the end of the year, is only natural. We must make allowance, too, for a variable amount of folly and perversity among them, as among all other human beings; but, this being made, I see no reason for supposing the

<sup>1</sup> "That the workmen have no control of the accounts is one of the conditions laid down by our employers. We cheerfully conform to it." (An employee of Billon and Isaac to Miss Mary W. Calkins.)



average workman to be an irrational being who cannot understand the difference between good and bad years in business, and who will consequently make trouble when a bonus must be omitted. Heinrich Dey, one of the employees of Billon and Isaac, says: "When there are no profits — why, there are none. We have still the satisfaction of knowing that we and our employers have done our best. I do not say that there are not a few foolish grumblers among us, but we clear-headed fellows soon set them straight. And besides, we have our savings." <sup>1</sup> Here comes in the importance of a thorough confidence on the part of the men in the sincerity and good faith of the employer. For this reason, employers who stand in the front rank for integrity will pass through bad times with the least suspicion; but, even to such firms, it will probably appear the wiser course to call in a public accountant at the end of the year, whose report shall be final.<sup>2</sup>

The full strain upon the principle of the division of profits comes, of course, in the years when there are no profits to be divided. If this strain could not be met, if workmen could not be educated up to bearing losses as well as sharing dividends, then industrial partnership would be a very one-sided affair. We meet here the natural, indeed the prime objection, that profit sharing is all very well, but that in fairness the employee should also bear his share of the losses. This is entirely true, but as a criticism of the system in actual practice it rests upon a misapprehension. Its logical force tells only against an imaginary

<sup>1</sup> Compare the experience of the Hazards of Peace Dale, who have paid a bonus only one year out of two.

<sup>2</sup> The case of the Bay State Shoe and Leather Co., where such a provision was not in force, is the only one from which charges of dishonesty made by the employees are reported.



scheme. Let us recur for a moment to the justifying reason of profit sharing. This is, that the employee, by superior industry, care, and economy, and in view of a bonus, *creates* a fund out of which his bonus is to be drawn. Let us suppose that in a certain case, after having received a bonus four years in succession, he labors at least as diligently the fifth year, and so makes his full contribution to this extra fund, under the stimulus of an expected dividend. But from causes over which the body of employees have no control, this gain over the usual income under the pure wages system is more than offset by heavy losses in the commercial department. There is a deficit, and no bonus is paid. What, then, is the employee's status? He loses a return for the uncommon degree of industry, care, and economy which he has displayed for the last twelve months, the like of which was rewarded the year before with a bonus. This sum marked his gain one year: it marks his loss just as much in the bad year. He has taken the risks of gaining or losing *the variable portion* of his total reward. In favorable years he has made his contribution, again, through the reserve fund, to meet the unfavorable years. He has thus done his part, as the superintendent on a large salary has done his part. When it is reasonable to ask the superintendent to refund a portion of his salary because the firm has met with losses, then it will be reasonable to ask the workman to pay back a portion of his wages earned. Such a course of retroactive legislation never enters the head of a business man while his reserve continues. If times are still so bad that the reserve fund is threatened with extinction, then sail must be taken in: wages and salaries must be reduced, not for the past,

but for the unprosperous future. But whatever it be, the workman's wage in a profit sharing establishment represents the *fixed recompense*, just as the superintendent's salary does. The risks that the workman properly takes are the risks connected with *labor*: he must not be called upon to share the risks of management when he has no voice in the management. By his very association in the wages contract he is free from all the commercial risks which fall upon the responsible managers. The profit sharing feature, which comes in to modify this contract, is a provisional agreement: in case there are profits, the employee, on account of the extra zeal expected of him and shown by him, shall have a share in them.

If the workman is to share losses *out of his wages*, he must, in simple fairness, be admitted to full rights of partnership; he must have a voice in the management, and he must have free access to the accounts. This, of course, would be coöperation, and coöperation is quite another thing from profit sharing. But it would be a mistake to represent the profit sharing agreement as a leonine contract in which the employee gets all the privileges. His privileges are restricted, and it is only just that his responsibilities should also be limited. The employer it is, who fixes the agreement, an agreement always subject to modification or withdrawal by himself. If he is wise, he will insert the same provision for a reserve fund, *before a bonus can be divided*, which he would make if he paid only wages. This provision made, the responsibility of the workman should go no further than the performance of his work to the best of his ability. Such seems to be the fair construction of the profit sharing agreement, which is *sui generis*. It is passing strange that

this objection to the workman's sharing profits should so often come from persons familiar with the common plan of rewarding commercial agents, overseers, and superintendents with a percentage on sales or profits, in addition to salaries. Profit sharing extends this practice to a larger body of employees. The extension should not be hasty, nor should it be saddled with conditions which inure only to the benefit of the employer.

Thus far in this chapter we have chiefly had in view the assertion that Profit Sharing is the most "generally satisfactory" method of remunerating the three industrial agents. A few words further will here suffice on the point that it is "the most equitable" method. Throughout this study I have endeavored to steer clear of abstract theories of justice and right, in the matter of the reward of labor, since such theories are almost as unconvincing as they are numerous. What has been done has interested me more than what *ought* to be done, for experience will furnish the surest prophecy of what may be accomplished to relieve present disorders. But we have held so close to the actual record of profit sharing that we may safely and properly conclude with a summary view of the equities of the system as they have been presented by those who have studied it in practice.

Under the wages system, each of the three factors in industry — capital, management, and labor — receives a fixed compensation which is reckoned as an expense of transacting business. Interest, salary for management (which should be high, for the benefit of capital and labor alike), and wages, — these are the predetermined reward of the capitalist, the manager, and the employee. Under prevailing conditions, interest is

falling as capital accumulates, the compensation of executive talent is rising, and wages are increasing. But, high or low, these are still the *expenses* of carrying on business. When the yearly account shows a surplus over these expenses and the proper allowance for depreciation, reserve, etc., how is this profit divided under the common system? It goes entirely to capital and management, whether these two functions are lodged in separate persons, or united in one and the same person. The third agent in production, labor, receives no direct share of the profit realized. This distribution, on the face of it, appears inequitable, and the argument for it is that the wages contract has thrown all the *risks* of the enterprise upon capital and management, and that in return they should reap all the contingent profits, as they bear all the contingent losses. We are not justified in quarreling with the wages system, thus interpreted, in its historical place in the industrial evolution. But when, in the further course of the evolution of society, this system reveals its own imperfections through the disorders and convulsions with which later years are only too familiar, the inquiry inevitably arises whether such a modification of the system as profit sharing is not *more equitable* by admitting the employee to a limited but necessarily variable share in the gains of industry, and at the same time putting upon him the limited liability to a share in the losses which the other conditions of his contract render feasible and just. Under such a system, labor, the third factor in industry, continues to be a real partner with capital and executive skill through the entire industrial process. Its fixed recompense stands among the expenses, like interest and salaries for management; and in the division of



gains it is not forgotten or set aside, as is the usual custom.

The facts laboriously accumulated in this volume testify that such a compact is feasible in many directions. Its failures show the need of caution and practical sagacity in determining the sphere and limits of its application. But its successes prove that it deserves a very much wider and more thorough trial than it has yet received. Where it is practicable, it is more equitable than the unmodified wages system, since it takes account in the employee also of those same faculties and feelings which the present method encourages only in the capitalist and the manager, — the forces of character which are most easily and effectually excited by the view of possible profit. That this is no fancy, but the sober teaching of experience interpreted by sound reason, let the testimony of men of affairs like Leclaire, Laroche-Joubert, De Courcy, Godin, Chaix, Billon, Hazard, Nelson, and Pillsbury attest.

When, turning from men of affairs to the men of thought, we inquire what the later English and American political economists, who have studied the phenomena of profit sharing, think of its correctness in theory and its wide applicability in practice, the favorable answer is one of practical unanimity. Mr. Babbage, in his "Economy of Manufactures," one of the ablest works in the whole range of economic literature, was the first distinguished English thinker to give his hearty endorsement to the system as it was outlined in the Cornish mines. John Stuart Mill held up M. Leclaire as an example to employers of labor, and few subsequent writers on political economy, in England or America, have failed to agree with Mr. Mill.



Professor Jevons and Professor Fawcett distinguished themselves by earnest advocacy of industrial partnerships. President F. A. Walker gave his cordial adhesion to profit sharing in his work on "The Wages Question," published in 1876, and in 1887 he writes me: "That profit sharing, if generally introduced, and carried on in good faith and good feeling, would secure a highly equitable division of the products of industry, and would be a cure for most of the 'labor troubles' from which we suffer, seems to me beyond dispute. As to the entire feasibility of the scheme, after fair and full trial, I entertain no doubt; the sole condition being that master and man shall really seek to meet each other, and to find the means of working together on the basis of the reasonable authority of the master, as heretofore known and respected." This opinion may fairly stand as the judgment of the great body of American economists on the subject. In France the ablest critic of participation, M. Paul Leroy-Beaulieu, writes, in his work on the "Division of Wealth" (1881 and subsequent editions), in a tone to which a wise advocate of the system can take little exception.

Thus begotten by experience, thus adopted by thinkers who stand high in economic science, the system of profit sharing presents itself for the consideration of thoughtful employers. It offers great possibilities, — yes, great certainties of good; and it points out a far more excellent way than the way of continual disagreement in which many employers and employees now walk. The employer must take the initiative in establishing profit sharing: this in fact is one of the chief recommendations of the system to the judicious. If I were to throw into the form of direct

speech the closing thoughts of this volume, I should thus address the employer who perceives the inadequacy of the wages system, and is looking for something better: "Here is a modification of the present method of recompensing labor which originated with a self-made man of business. It has been taken up and shown to be a feasible and promising system by more than a hundred firms engaged in a great variety of industries. Far from being mere theory, it is pre-eminently a practical, common-sense measure. In broad contradiction to schemes of productive coöperation, it begins with the employer, and it keeps his interests in view throughout. It will, unless experience is deceitful, raise the level of the product in quantity and in quality, and so create an extra profit at least equal to the bonus you will pay to labor. Your men, if they are average men, will work more industriously, more carefully, more economically, when you thus give them an interest; they will be your friends and partners in production; they will not strike, or dream of striking.

"If you contemplate a trial of profit sharing, consider this to encourage you, that the percentage of failures is very small, and that you cannot be ruined by engaging, for a year at a time, to divide a certain percentage of profits actually realized with your employees. The plan will be entirely under your control, at all times, to modify or to discontinue. But before you make such an attempt 'be sure you are right: then go ahead.' Be on settled terms of goodwill and mutual confidence with your employees before you think of introducing such a reform as this. Study the plan thoroughly as it is exhibited in the literature of the subject, and consult those who are working on

it in your own line of business, to adopt the variety of method which has been, or is likely to be, found most effective in your own line. Avoid an elaborate code of regulations at the start; the simpler the scheme at the beginning the better.<sup>1</sup> But a condition of participation should be a certain length of service in the business: it is advisable to fix this high, rather than low. Thus you will secure without difficulty a practical and desirable aristocracy among your employees, consisting of the most steady and skilful workers. Entrance into it should be open to all the workmen on equal conditions of time and conduct, and it should enlarge until it reaches the limit determined by the size of the establishment. Set the percentage of profits for the bonus high enough to make the prospect of it a real stimulus. Secure in the distribution some feature that will encourage thrift. Best of all is the privilege granted the men of investing the bonus in the firm, if it is well established and prosperous.

“Take the plan up with the determination to give it a fair, full, and thorough trial for several years. Make sure that your employees understand it, by every means of education you can bring to bear upon them; but the best educator is the system itself. Allow it

<sup>1</sup> In the appendix to his *Profit-Sharing*, Mr. Sedley Taylor has printed translations of three sets of regulations adopted by M. Bord (immediate participation), the *Compagnie d'Assurances Générales* (deferred participation), and M. Chaix (mixed participation). Miss Mary Whiton Calkins, in her pamphlet on *Sharing the Profits*, has given the regulations in force with Mozet et Delalonde, and Paul Moutier of Paris. Thomas Bushill and Sons, Coventry, England, issue their rules in handy form. Most convenient and suggestive, however, for an American employer, is the set of regulations adopted by the New England Granite Works: it is printed in part in the *History of Coöperation in the United States*, and in full in the *First Annual Report of the United States Commissioner of Labor*, pp. 281-283.

time, then, to show its educating power: it has its discipline for both parties to learn. Cherish no extravagant expectations of the results for the first year or two: give the leaven time to work. Do not abandon the system because of meeting with some obstacles and difficulties, either those peculiar to the scheme or those inherent in every reform. Do not take it up in the first place unless you have faith in it. If your real motive is to advertise your establishment, or to 'get even' with the Knights of Labor, be sure that your success will be proportionate to your sincerity. Profit sharing involves a fuller recognition of your employees, as something more than machines, than the wages system does. The more you treat them as friends and fellow-workers, within the just limits of respect for authority, the better service will you obtain, the surer will your profits be. You are too sensible to suppose that no further problems can ever arise in the industrial world if profit sharing succeeds. But when they come, you will be able to meet them with more confidence if you have a real industrial partnership with your employees, if you compete with other firms as a house united within itself. As competition increases in severity, it is all the more important that you should have behind you a faithful and devoted body of workers: if your chance of eminent success in business is only one in ten, the greater is your need of friends in your own household. Give the plan of profit sharing, then, a just and patient trial: if it does not meet the exigencies of your business so well as some other system, you will at least have helped to determine its limitations; you will have done a man's part toward a rational solution of existing troubles. If you succeed,



your success will give you industrial peace; it will give you profit; it will give you the consciousness of having helped mankind a little nearer to the kingdom of God."

To the employees I would say as plainly: "Are you not prepared to receive such a friendly overture as profit sharing with a hearty welcome, and do all you can to make it a success? Do not the labor agitations of the day, with their frequently exorbitant demands, and their repeated failures to improve your condition, begin to weary you? Here is a system which is not visionary, as coöperation too often is. It has had a long, varied, and successful experience. It has given working men abroad and at home room for the freer play of their powers, and has rewarded them as partners in toil, not mere hired hands. The employers who have originated and developed this system were first workingmen themselves; when they prospered, they were anxious to improve the lot of their less fortunate, less forceful comrades in the ranks. The plan that they wrought out with patient earnestness commends itself to thinking men everywhere. It commends itself to those disinterested friends of the laboring man, outside of the employing class, whose only desire it is to see the general welfare increased. Among the employers of labor, you can see for yourselves what manner of men they are who greet the plan most cordially, and are trying sincerely to put it thoroughly into effect. They are the employers who under the existing system treat their employees the most generously, and are the most plainly desirous of bettering the condition of labor.

"You have gone on, in a way which fair-minded men now recognize as not only inevitable but desirable, to



combine your forces in trades unions and such other organizations as the Knights of Labor. These are essentially and fundamentally praiseworthy associations for the improvement of your condition. But employers have rights that you are bound to respect: society at large will not tolerate the warfare these organizations sometimes wage; business would go to pieces if the preposterous demands they sometimes make, to control affairs and virtually turn the skilled manager out of doors, could be entertained. There is a natural law in the business world as in the physical world. Some few must lead, and the great majority must follow, if bread and clothing are to be got. Recognize, then, the large and rightful sphere of the employer of labor. When he meets you with an offer to divide with you the profits of business, according to methods which have had ample success elsewhere, see in him your best friend, and join hands in manly agreement to do your part in the common effort after a veritable partnership. Here is the opportunity for you to show the kind of men you are! — chronic grumblers and idlers, or active workers, discontented only because you have not had inducement to put forth the full measure of your strength. The employer offers you the highest current wages. Dismiss the thought of combining against him; combine *with* him to make the profits sure and large: let it be no one-sided co-operation. Fill the hours for work with work. Study to increase the amount of your production; devise means to improve its quality. Be careful of the tools and the machinery, be saving of the material, as if they were your own: your bonus is in these virtues! You will come to years when the dividend you look for cannot be paid; your earnest labor will be so far

in vain. But you will not be the only sufferer: the whole establishment will be a loser, from the firm down to the errand boy. You will learn then what it means to be in business, and what partnership signifies, — participation in losses as in gains. It is idle for you to dream of coöperation if this system under which your wages are secure, and all the risks of loss of money are upon the firm, does not please you. Coöperation is too ideal for the world yet. The wages system, on the other hand, is not flexible enough to adjust your compensation easily to the ups and downs of industry. Here, in profit sharing, you will find a practical and helpful solution of many existing troubles. The employer offers it: but you must make it a success!"

We are justified in anticipating for the system of profit sharing a gradual and wide extension, until a dividend to labor out of profits shall be no more strange than a dividend to capital. In France, the society, formed in 1878, "to facilitate the practical study of the various systems under which employees participate in profits," holds regular meetings for discussion, collects printed and manuscript matter bearing on the system, and publishes a quarterly bulletin (*Bulletin de la Participation aux Bénéfices*), which makes a yearly volume of some two hundred pages.<sup>1</sup> This society, says the preface to the first volume, "is resolved to preserve in its studies an absolutely practical character, and, in order to give unmistakable expression to this determination, decides to admit to membership in its body none but persons actually engaged in manufactures or commerce. It can seek its members only among chiefs of industry, that is to say, among men entirely competent each in his own branch,

<sup>1</sup> A set of the volumes may be found in the Boston Public Library.

directly interested and at all times responsible, charged with the direction of a more or less numerous body of workmen, and therefore, in general, but little accessible to empty theories, rash generalizations, or speculative systems. . . . We admit, as legitimate in such matters, only the experimental method applied with discernment and without hasty and premature conclusions." The practical, business-like nature of this association has been shown in its opposition to the project of forwarding participation through state interference. By means of its publications and other agencies, the society has become a headquarters of information for employers, and has been powerful in creating favorable public sentiment in France. In the absence of such a society in this country, I commend the system of profit sharing to the especial consideration of two great agents in the formation of that public opinion which, as Professor Bryce well says, governs America, — the Press and the Pulpit.

The principles upon which profit sharing depends for its justification are simple, and appeal to the common mind and conscience. There is nothing abstruse, technical, or metaphysical about the plan. Its logic is clear, its history is attractive, its evidence is easily followed. To the editors, therefore, of newspapers and periodicals, who desire to throw all possible light upon the vexed labor question for the benefit of their readers, but who must avoid the discussion of economic subtleties, I would suggest that the facts and the arguments of profit sharing have a novelty, an interest, and a value which entitle them to the widest dissemination and discussion. I have been unable to find any considerable sentiment in the American or English press of the day, in favor of coöperation. The

influence of the press, as a representative of the interests of society in general, has been very generally exerted in favor of arbitration in case of labor difficulties. But arbitration, as I have before observed, is not a remedy for the evils of the present system of recompensing labor: it leaves them where it found them. Profit sharing, on the other hand, is the one most practical and most generally applicable measure of improvement. It deserves to be voted "urgent" among the topics of exposition and discussion by the press, which has here an inviting opportunity for shaping and directing public opinion in a matter of vital concern. Numerous employers hold back from trying the new system because of the general lack of full knowledge among employers, workmen, and the public at large. The removal of this serious barrier to the wider trial of profit sharing is a work which the newspaper can more quickly accomplish than any other agency. I invoke with confidence the candid consideration by the editorial profession of the facts here set forth; the arguments of this book I cheerfully abandon to their tender mercies!

To the clergy of all denominations, whose office it is to preach goodwill among men, I would respectfully suggest that the influence which they possess in forming public opinion would be greatly increased by the hearty and enlightened advocacy of specific measures for the procurement of industrial peace. The numerous contributions by clergymen to the literature of the labor question, of late years, do them honor in the generosity of sentiment and the fullness of information concerning such topics as coöperation and socialism which they display. But, if I am not mistaken, the ideals denoted by these two names have had

more influence on the ministerial mind than their successes in practice have warranted. A more "realizable ideal" is found in profit sharing. A perusal of this volume will, I trust, bring such a conviction home to the mind of the clergyman who is anxious to preserve a reputation for practicality. I entertain a high respect for the force in moulding public opinion which an instructed clergy wields. To a body of men whose position naturally makes them equally the friends of the wealthy and of the poor, and preserves them from the unjust feelings too common among both employers and workmen, the last words of this book may well be addressed.

Bishop Fraser declared that the duty of this generation is not so much "to christianize Socialism as to socialize Christianity." I have purposely avoided thus far, as irrelevant, the consideration of profit sharing in the light of moral and religious duty; but I cannot conclude without declaring my conviction that the Christianity which Bishop Fraser desired to see, the religion that its founder had in mind, is profoundly opposed to the class selfishness which the existing wages system tends to increase, and which profit sharing, generally diffused, would greatly diminish. The fraternity which participation promotes is thoroughly moral, thoroughly Christian. Profit sharing recognizes the advancing democratic element which has made itself felt so forcibly in the industrial world of late in wars and rumors of war. It meets that advance with a hearty recognition of human brotherhood and the duties of prosperity. Economic science is good, but "economic science enlightened by the spirit of the Gospel,"<sup>1</sup> the spirit of enthusiasm for

<sup>1</sup> M. Charles Robert *La Question Sociale*, p. 43.



humanity, is better. Nay, it is, in the last result, the only solution of the problems which beset, with Fate's persistence, the too complacent commercial spirit of our day. A plutocratic development, which has far outrun the slow evolution of conscience among modern men, has at length received sullen challenge from the great majority who live by the labor of their hands. Peace between master and man will come as both begin to entertain a new spirit toward each other, and readjust thereby the relations of the labor contract. In this industrial reformation the voice of the men whose duty it is always to remind us that man does not live by bread alone should be potent on the side of a finer justice and a more philanthropic spirit. The Christian gospel has had a re-birth in more than one perplexed age. The labor difficulties of the troubled nineteenth century will find no more effectual solvent. Economics must be aided by ethics ; the commercial spirit should be tempered by the Christian feeling of the brotherhood of man. The pure Christianity to which Leclaire gave expression in his last will and testament is still the strongest force making for industrial and social progress.

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